Accountancy

ESTABLISHED 1889

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The Society's Meeting on Integration

•

Business Efficiency Exhibition

•

Overseas Trade Corporations

THE SOCIETY OF INCORPORATED ACCOUNTANTS

JULY 1957

TWO SHILLINGS

The Society

of

Incorporated Accountants

President: SIR RICHARD YEABSLEY, C.B.E., London

Vice-President: EDWARD BALDRY

Secretary: I. A. F. CRAIG, O.B.E. *Deputy Secretary:* C. A. EVAN-JONES, M.B.E.

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INCORPORATED ACCOUNTANTS' HALL, TEMPLE PLACE, VICTORIA EMBANKMENT, LONDON, W.C.2

Members use the designation Incorporated Accountant. Fellows may also use the initial letters F.S.A.A., and Associates A.S.A.A.

Admission to membership is by examination subject to satisfactory completion of articles of clerkship for five years (university graduates three years.) Six years' approved professional experience may be accepted in lieu of five years' articles. Exemption from the Preliminary Examination is granted on production of certain educational certificates.

Articles may also be integrated with full-time study at certain universities. Under this scheme a specific university degree and the professional qualification can be attained in a total period of 5¾ years.

All candidates must pass the Intermediate and Final Examinations, except that graduates under the universities scheme are exempted from the Society's Intermediate Examination.

There are Branches of the Society in Scotland, Ireland, Canada, Australia, South Africa and Central Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

Members of the Society are not allowed to seek professional business by advertisements or circulars.

Accountancy

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Professional Notes

Nine to One for Integration

IN FAVOUR OF integration, 972 votes; against, 111 votes. Thus the voting on a show of hands at the extraordinary general meeting of the Society of Incorporated Accountants last month overwhelmingly approved the integration of the Society with the three Chartered Institutes. Of the members voting, practically 90 per cent. were in favour of the integration schemes; a majority of 75 per cent. is required to make the schemes effective. But a postal poll of members of the Society is now being taken and it is this poll that will finally decide whether integration, already formally approved by the membership of all three chartered bodies, is to become a fact.

In the opening speech the President of the Society, Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., proposed the special resolution approving the schemes. The resolution was seconded by the Vice-President, Mr. Edward Baldry, F.S.A.A. Twelve members spoke, the discussion being wound-up by Mr. Richard A. Witty, F.S.A.A., Past President. An amendment to the special resolution was lost by 938 votes to 136.

The meeting was worthy of the occasion. In the large gathering of about 1,200 Incorporated Accountants—certainly the largest meeting of members of the Society in all its seventy-two years—there were very many who had travelled specially from outside London to take part. The speeches were of a high order and the sense of responsibility at this veritable climax in the history of the Society, a sense introduced by the President's opening address, was sustained throughout the proceedings.

We give a full report of the meeting on later pages and a copy of this report has been sent to all members with

their voting papers. The result of the poll will be known at the beginning of August and will be announced in our next issue, which will be delayed a few days in consequence.

Birthday Honours

WE CONGRATULATE THREE Incorporated Accountants whose names are included in the Queen's Birthday Honours List. Mr. H. Basil Sheasby, M.B.E., F.C.A., F.S.A.A., a partner in Messrs. Middlemiss, Sheasby & Co., London, is advanced to the rank of Officer in the Order of the British Empire in recognition of his work as Joint Secretary of the National Federation of Wholesale Grocers and Provision Merchants.

Mr. F. C. Goodger, A.S.A.A., Accountant to the Colonial Development Corporation, and Mr. R. G. R. Marshall, A.S.A.A., Honorary Secretary of Cardiff Savings Committee, receive the honour of M.B.E.

It is also a great pleasure to congratulate Captain Sir Ian F. C. Bolton, BT., O.B.E., H.M.L., LL.D., C.A., J.P., a Past President of the Institute of Chartered Accountants of Scotland, who receives the honour of a Knight Commander of the Order of the British Empire for his services to the Boy Scout movement in Scotland.

The Rent Act

THE RENT ACT comes into operation on July 6, 1957. Its main provisions are already well known. It takes out of control almost all new tenancies created after the Act has come into force and also existing tenancies of houses with a rateable value over £40 in the Metropolitan Police District, or over £30 elsewhere in England and Wales. Those existing tenancies will remain controlled, however, for fifteen months unless during that period landlord and tenant agree on a new tenancy to last for at least three years. The contractual rights of sitting tenants are not affected. If the tenancy remains controlled the landlord can raise the rent subject to certain safeguards for the tenant if the house is not kept in repair.

The Act also contains other provisions that are important but less well known and it is only possible to give a short selection of them here. The Government has issued a pamphlet, *The Rent Act and You* (H.M. Stationery Office, price 6d. net), which sets out in question and answer form most of the points that are likely to arise.

A notice to quit any premises let as a dwelling, whether the notice is given by landlord or tenant, must be for at least four weeks; the common law requirement still holds good that in the absence of an express agreement to the contrary the notice must be given for the proper day of the week.

Long tenancies that are now within Part I of the Landlord and Tenant Act, 1954, are not taken outside that Act even though the rateable value of a house is above the new control limit; further, the operation of Part I is extended to cover tenancies that would now be within it but for the fact that the rent is more than two-thirds of the 1939 rateable value.

If the tenant of a shop let together with living accommodation is now protected by the Rent Acts and the rateable value of the premises is above the new control limit, the tenancy will come within Part II of the Landlord and Tenant Act, 1954.

It will now be less easy to charge a premium in a disguised form. In circumstances where it would be unlawful to require the payment of a premium it will be unlawful to require the tenant to make a loan and there are some restrictions upon requiring rent in advance either before the beginning of each rental period or earlier than six months before the end of each rental period if that period is more than six months long. Eventually it will be lawful to charge a premium on the grant of an uncontrolled tenancy; but for the next three years no premium can be charged if the premises are now within the Rent Acts, unless the tenancy is for more than 21 years.

Accountants and the I.C.F.C.

BY FAR THE best business-getters for the *Industrial and Commercial Finance Corporation* are accountants. Of the total of 5,870 applications for finance received by the Corporation over the last decade, 39 per cent. came from or through accountants. Solicitors introduced 8½ per cent. of the applications and the clearing banks 26 per cent.

Lord Piercy, the chairman of the Corporation, enlarging on the point that statistics of applications are not the same as statistics of completed advances and investments, for only one in ten applicants finally becomes a customer, told us last month that the introductions from accountants were usually more successful than those from other sources. The accountant, considered Lord Piercy, usually "vetted" more thoroughly any proposal for seeking outside finance for a business, and if an application to the Corporation had already passed an accountant's scrutiny, the proposal was more likely to lead to business.

The I.C.F.C. when it makes an advance or an investment often puts an accountant into the business to report—either a member of its own accounting staff, numbering more than thirty, or, less usually, a practising accountant.

President and Vice-President of the English Institute

MR. W. H. LAWSON, C.B.E., B.A., F.C.A., has been elected President of the Institute of Chartered Accountants in England and Wales. Mr. Lawson is a partner in Messrs. Binder, Hamlyn and Co., Chartered Accountants, of London, Manchester, Sydney and Melbourne. He became a member of the Institute in 1923, was elected to the Council in 1946, and took office as Vice-President a year ago. He is chairman of the special committee on the scheme of integration of the Society of Incorporated Accountants with the Institute, and on the side of the Institute has been the chief architect of the scheme.

Mr. Lawson serves on a number of other committees of the Council. He has given evidence on behalf of the Institute before the Royal Commission on Taxation, the Committee on Shares of No Par Value, and the Public Accountants' and Auditors'

Board in South Africa. He is a past Chairman of the London and District Society of Chartered Accountants.

The honour of C.B.E. was conferred on Mr. Lawson in 1948 in recognition of his work on the Austrian Peace Treaty negotiations. He has been appointed to membership of a number of Government committees, including the Companies Act Accountancy Advisory Committee of the Board of Trade.

The new Vice-President is Mr. W. L. Barrows, F.C.A., J.P., senior partner in Messrs. Howard Smith, Thompson & Co., Chartered Accountants, Birmingham and London. He is the representative of the Institute on the Joint Standing Committee under the universities scheme. Mr. Barrows is a member of the Board of Referees. He is chairman of W. & T. Avery Ltd., and a director of other companies.

Accounting by Pulses

THE PROBLEMS OF electronics in cost accounting and the payment of wages are not problems of the machines, but of their application. Inventiveness has now to be turned to the business system, to make it use computers. The production of the computers themselves will not present much difficulty. Thus Lord Chandos in an address *The Economic Consequences of Electronics in Industry*, delivered recently to the Institute of Cost and Works Accountants. Evidently he thinks the necessary work on business systems will be rapidly done:

> Within the next five years we shall have systems enabling the wages to be paid by the use of computers, however complicated the bonus and piecework rates which have to be incorporated in the wage packet.

Lord Chandos apparently also considers that cheap electronics is well on the way:

> We shall live to see the day when the auditor will arrive with his own portable computer on which he will be able to check the accuracy of our calculations.

The need for constructing an office system to fit electronic requirements was also emphasised by Dr. A. H. Marshall, C.B.E., PH.D., F.S.A.A., F.I.M.T.A., addressing the annual conference of the Institute of Municipal Treasurers and Accountants. There had to be co-ordination of all accounting records, designed to provide data expressed in common form for feeding into the machines. "The routing, timing, and supervision of work must be conducted in accordance with one central plan, for the preliminary clerical work and the ultimate machine processes are all part of one operation."

Dr. Marshall drew the further lesson, that the advent of electronics makes it even more urgent than heretofore that chief financial officers of local councils—which were likely to turn increasingly to electronic methods in the near future—should be in control of the whole of the accounting arrangements of their authorities and should have the responsibility for financial affairs at whatever point in the organisation they arose. Any authority making use of electronics would need to follow the larger and the efficiently conducted authorities, which had already firmly established that all accounting and financial work was integrated under the aegis of the chief financial officer. But at present this co-ordination of financial arrangements was often lacking, and sometimes there was not even any consultation between the treasurer and the spending officer.

As to the type of machines to be used in local government work, it could not yet be foreseen, said Dr. Marshall, "whether the future is with the relatively small units which local authorities are now beginning to operate, or with the large installations of the LEO type to which we shall take our bundles of work for processing, just as the modern housewife takes her washing to the launderette."

Taxing H.P. Deposits

THE INLAND REVENUE has now abandoned its contention that interest on all deposits received by hire purchase finance houses must suffer deduction of income tax at source. These houses have for long maintained that there was no difference in principle between the deposits received by them and the deposit accounts held by the banks and considered that the banks had an unfair advantage in not having to deduct tax from interest paid. The Inland Revenue case was that hire purchase deposits, unlike bank deposit accounts, earned annual interest, from which tax has legally to be deducted. The hire purchase houses, having now secured official affirmation that interest does not have to be taxed at source if the deposit is repayable within twelve months, are already devising deposit contracts to meet the condition. The essential feature of the contracts will be that the deposit terminates within the period of a year, unless renewed; however, it will be expected normally to be renewed. The benefit to the finance houses lies in the fact that since foreigners and residents who pay tax at less than the standard rate will no longer be put to the trouble of reclaiming tax, increased deposits should result. However, it is not expected that the houses will discontinue true long-term contracts, on which they will still have to deduct tax from the interest, which will probably be at a rather higher rate than that on the new short-term contracts.

Carbs

THE PENSION SCHEME of the Institute of Chartered Accountants in England and Wales, now published, fulfils the promise of the outgoing President (see ACCOUNTANCY for June, page 248) that it would be wider in scope than schemes promulgated by other professional bodies. Members of the Institute who are self-employed or otherwise within the ambit of Section 22 of the Finance Act of 1956 are now given the opportunity by the Chartered Accountants' Retirement Benefits Scheme—clearly destined to be known affectionately as "Carbs"—of a varied and liberal range of benefits.

There are four sections. Each of Sections A, B and C is covered by master assurance policies with a panel of four assurance offices (the Com-

mercial Union, Guardian, Norwich Union and Yorkshire) and Section D by a policy with the London and Manchester. The Sections provide as follows:

Section A—in return for each single contribution, an annuity to the member and, in the event of his death before its commencement, a return of the contribution, with interest, to his estate;

Section B—in return for a series of equal annual contributions, an annuity to the member and a widow's annuity commencing on his death at any time;

Section C—in return for a series of equal annual contributions, an annuity to the member with incapacity benefit, and a partial return (of at least 90 per cent.) of contributions, with interest, in the event of the member's death before commencement of the annuity;

Section D—in return for each single contribution an annuity to the member, and in the event of his death before its commencement, a return of the contribution, without interest, to his estate. Contributions and benefits under this Section are expressed in terms of Investment-Trust-Units converted into their monetary equivalent at the dates of payment.

Contributions under Sections B and C will have to be predetermined as a series, but other contributions can be made in varying annual amounts—as, in effect, single premiums—under Sections A and D. In its explanatory introduction to the scheme, the Institute says that some members may find it convenient to provide their main cover by equal annual contributions under Sections B or C or both and to "top-up" by varying contributions under one or both of the other Sections according to the income available from time to time.

The terms under the scheme are more favourable than would be obtained by members taking out policies directly with assurance offices.

Section D incorporates the "variable annuity" introduced some months ago by the London and Manchester. It provides for those members of the Institute who wish, as a safeguard against a fall in the value of money, to gear part or the whole of their benefits (and contributions) to the prices of equity shares. The underlying investments are investment trust equities giving a widely dispersed interest in industry and commerce at home and abroad.

American Institute of Certified Public Accountants

THE AMERICAN INSTITUTE of Accountants last month changed its name to the American Institute of Certified Public Accountants. There are about 57,000 Certified Public Accountants in the United States and rather more than half of them are members of the American Institute. To be able to join the Institute an accountant must be a C.P.A. The change of name of the Institute is intended, in the words of Mr Marquis G. Eaton, its President, to "highlight the importance of certification and emphasise the responsibility which the Institute assumes when it speaks or acts."

When the Institute was incorporated seventy years ago there were no C.P.A.'s. The title came into use when the accountancy law of New York State was enacted in 1896. Over the years the qualifying examination of the American Institute has been adopted by all forty-eight State Boards of Accountancy. The examination is prepared by the Institute and is administered by the Boards: it is the only professional examination in use today that is uniform for all the States, and it must be taken by everyone qualifying as a C.P.A., whether or not he becomes a member of the American Institute.

Fifteen years ago the Institute had only 5,400 members, today it has 30,000 and its growth continues. Mr. Eaton predicts that ten years from now there will be more than 85,000 C.P.A.'s compared with 57,000 now. Even if the proportion of C.P.A.'s who become members of the Institute does not increase, the membership should be at least 45,000 a decade hence. "Explosive growth" and "the nation's fastest growing profession" are the terms used by Mr. Eaton in talking of accountancy in the United States.

Company Registrations

THERE ARE SOMETHING like 600,000 company files in the custody of the Registrars of Companies in London and Edinburgh. About half the companies are still on the registers or are in process of dissolution, the other half are no longer in existence. The number of registrations is continually increasing. New ones arrive at Bush House at the rate of about 350 a week.

The first Registrar of Companies was created by the Joint Stock Companies Registration and Regulation Act of 1844, but that Act was repealed and a new obligation to register companies was contained in the Joint Stock Companies Act of 1856. The process was repeated in 1862, but original dates of registration were left undisturbed. Since 1862, there has been virtually one register continuously kept, for each of the Companies Acts of 1908, 1929 and 1948 has preserved the incorporation of companies under the Acts repealed.

The oldest existing company incorporated under the 1856 Act is No. 43, the *Berwick Corn Exchange Ltd.* It was registered on August 22, 1856. It is not, however, the oldest company on the register. The *Atlas Assurance Co. Ltd.*, established 1808, and the *Equity and Law Life Assurance Society Ltd.*, established 1844, were both registered under the 1844 Act in November of that year and were re-registered later as limited companies. The *Sun Insurance Office Ltd.*, formed by deed poll in 1710, was not registered until 1927. The *Equitable Life Assurance Society*, established by deed of settlement in 1762, was registered in 1892. Some banking companies are older still. *C. Hoare & Co.*, registered as unlimited in 1929, goes back to before 1673; *Coutts & Co.*, similarly registered in 1892, to 1692; and *Glyn Mills & Co.*, registered in 1885, to 1753. Banking companies usually started life as partnerships, not joint stock companies.

The individual company with the largest registered share capital is *Imperial Chemical Industries Ltd.* with £220 million. The largest share denomination found so far is £500, but the shares are not now in issue. The smallest share denomination is ¼d.

There is a sprinkling of registra-

tions without articles, usually of small private companies. *Townsend Ferries and Shipping Ltd.* was registered in this way last year, but special articles were adopted and registered a few days later. *Govett, Sons and Co.*, one of the corporate members of the London Stock Exchange, is an example of an unlimited company with a stated share capital, defined in the articles. The *International Drilling Co. Ltd.*, by clause 6 of its memorandum, which is handwritten in ink, is limited to a period of not more than two years and six months from May 22, 1956, the date of incorporation—a limitation of this kind is very unusual.

The lists of members of the giant companies run into several bound volumes. The *Courtaulds* list comprises thirty volumes. Some companies compile the list not alphabetically but by account numbers, but then an alphabetical index corresponding with the account numbers is also filed, to enable shareholders to be identified.

There has long been a practice to keep only the last annual returns of the giant companies immediately available. The Registrar's staff are in process of working through the files of the rest and removing all annual returns before about 1950. Where this is done, a page listing the returns stored elsewhere is inserted at the beginning of the file. If anyone, having paid his shilling, wants to see returns not on the file, they will be produced without further charge, though in some cases it will take a day to produce them.

If any accountant wants to see two wholly different ways of dealing with pre-incorporation profits, let him look up the consolidated balance sheets of company No. 483108 for the years ending September 30, 1950, and September 30, 1951.

American Railroad Accounting

IN OUR FEBRUARY issue (page 48) we referred to reports of an investigation into certain aspects of American railroad accounting being carried out by the American Institute of Accountants at the request of the New York Stock Exchange.

A fuller report now received generally confirms the earlier summaries, except in one particular. The earlier reports suggested, as we indicated in our comment, that the accountants' committee might recommend the substitution of "depreciation" accounting for the "replacement" accounting widely adopted by railways for permanent way. The fuller report shows that, while the committee would prefer depreciation accounting in principle, it is satisfied, with one dissentient, that "no substantial useful purpose would be served" by changing a practice which has proved appropriate to a mature industry with relatively stable annual renewal programmes. Railway accountants here would, no doubt, agree with the committee.

Apart from this point, the committee concludes that the uniform system of railroad accounting used in America should conform to the accounting principles generally accepted in business and industry.

The report has gone to the Interstate Commerce Commission, which is responsible for prescribing the uniform railroad accounts. There is so far no indication whether any action will follow.

Shorter Notes

Institute of Cost and Works Accountants

Mr. James Borsay, F.C.W.A., has been elected President of the Institute of Cost and Works Accountants. He is chief accountant of Ferguson Pailin Ltd., and has been a member of the Council of the Institute since 1949. He is a past-President of the Manchester Branch. Mr. H. J. Furness, F.C.W.A., chief cost accountant of Hoover, Ltd., has been re-elected a Vice-President, and the new Vice-President is Mr. Edward Emmerson, F.S.A.A., F.C.W.A., director and secretary of Proctor Bros. (Wireworks) Ltd., of Leeds.

A Rise for Junior Counsel

Fees paid to junior counsel for interlocutory work are to go up by 100 per cent. Interlocutory work, the work done on ancillary determinations in a High Court case, is often a large part of a junior counsel's practice, and the fees have hardly changed over the last three-quarters of a century. The increase is an "overall" one: not all fees will go up by the 100 per cent. and for some simple work the fee may not be increased at all.

***The Accountant* Awards**

The Lord Mayor of London, Colonel Sir Cullum Welch, O.B.E., M.C., in the presence of a large number of distinguished guests, presented *The Accountant* annual awards at the Mansion House last month. The recipients were *The United Steel Companies Ltd.* and *Trawlers Grimsby Ltd.* Mr. Ronald Staples, Editor-in-Chief of *The Accountant*, announced that this year a record number of reports and accounts had been entered for the awards.

Accountants' Group for Medical Insurance

The *Accountants' Group of the British United Provident Association* has now been operating for two years and nearly 400 subscribers have joined, together with members of their families. The Group enables subscribers resident in the United Kingdom to obtain protection against the cost of private treatment for accident or illness, on terms well below those available to individual subscribers to the Association. The Honorary Group Organisers of the Accountants' Group, Rose, Gluck and Co., of 14 Queen Victoria Street, London, E.C.4, write that membership of the Group is open to most accountants in practice or in employment, as well as to all grades of staff employed by practising qualified accountants, but the invitation is not addressed to those who are eligible to join a group scheme sponsored by a District Society of Incorporated Accountants.

American Lawyers' Convention in England

This month there is to be held the largest legal convention this country has ever seen, part of the annual meeting of the American Bar Association. Such topics as *Publicity Attendant upon Trials* and *The Use of the Jury System in England and the United States* will be discussed jointly with members of the profession here, and there is a very full programme of social occasions and visits for the 5,000 American attorneys and their wives.

EDITORIAL

Integration

JUNE 19, 1957, was indeed an historic day for the Society of Incorporated Accountants—and for the accountancy profession generally. On that day a large assembly of Incorporated Accountants at the Royal Festival Hall in London voted nine to one in favour of integrating the Society with the three Institutes of Chartered Accountants. A postal poll is now to be taken and if the membership of the Society at large agrees to integration by at least a three-quarters majority of those voting, the proposals will become effective.

There can surely be little doubt that the body of Incorporated Accountants as a whole will follow in the path constructed by their Council during nearly three years of difficult negotiations with the Institutes and now trodden by almost a thousand of their co-members at the Festival Hall meeting. But it is extremely important that all those who wish for integration should return their votes in the post this month, and not be dulled into inaction by the large majority in favour at the meeting.

Incorporated Accountants are now provided with an opportunity to end the state of things in which there are two main categories of accountants standing side by side, having similar standards, co-operating on many issues, but preserving intact their separate identities. If that situation be examined objectively, as a lay outsider would observe it, there can be no disputing that it is quite anomalous.

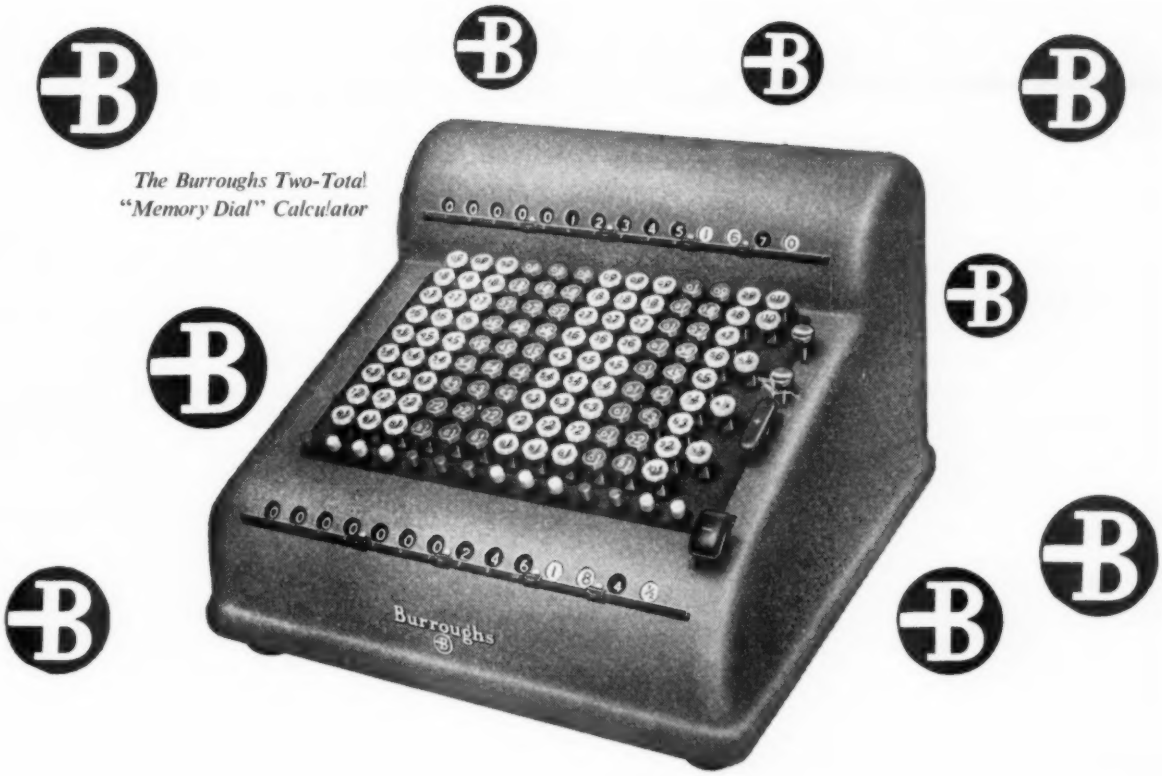
In the past, however, there has certainly been good reason, and reason in abundance, for the existence of a body of accountants of the highest standing that had as a main purpose the admission, not only of those serving in the accountancy profession as articled clerks but also of the less fortunate serving without articles, the "bye-law" candidates of the Society. It was this policy of the "open door," a policy maintained since the beginning by the Society, that bestowed its hallmark. But all that is now changed. Social and economic conditions now make the bye-law candidate an anachronism. There is now no reason, other than the low limit on the number of articled clerks that may at present be taken by Chartered Accountants outside Scotland, why any young person of suitable education and character should not obtain articles and, far from having to pay a premium, receive a reasonable salary while serving articled clerkship. And—here is the crux of the matter—one cannot expect that the limitation on the number of articled clerks would persist even if the Society were not merged with the Institutes.

With the passing of the artificial restriction on the number of articled clerks and as the need for allowing non-articled clerks to qualify as bye-law candidates disappeared, the total number of all would-be entrants into the Society would rapidly dwindle. The Society would be drained of its life-blood. Can that culmination be in the interests of any member of the Society?

It is an unfortunate fact, much to be regretted, that under the schemes some 2,000 of the 11,000 members of the Society, while becoming full members of the English Institute, will not automatically receive the designation of Chartered Accountant or the right to take articled clerks (though with provisions enabling them to obtain the designation and the right on satisfying certain conditions). The reasons for this restriction on the schemes are well known and need not now be reiterated. But it behoves every one of the 2,000 members in question to ponder carefully, before filling in his voting paper, whether he would seriously wish the schemes to be rejected, with the culmination for the Society to which we have just referred? Would his position be improved if, rather than being a member of the English Institute with its full backing for his designation of Incorporated Accountant, he were a member of a Society steadily losing recruits? A Society having to turn in another direction if it were to staunch the loss of candidates?

It is to be hoped, again, that each of the 2,000 members in question will weigh with the utmost deliberation the words of the President of the Society, Sir Richard Yeabsley, in his speech at the meeting, giving in specific terms and under six heads the rights and privileges of those who will become Incorporated Accountant members of the English Institute. That these rights and privileges will be obtained is a complete answer to anyone who asserts that the 2,000 members will be "an oppressed minority."

While it is wholly right and proper that every single member of the Society should have regard to what will be his personal position under the integration proposals, self-interest should be enlightened self-interest, and enlightenment demands that wider considerations than the immediately personal be given their full force. In this instance the whole is more than the sum of the parts—and the future is more than the present. Every Incorporated Accountant having the standing of the profession of accountancy at heart will wish to seize this opportunity to take a big stride—the biggest that could conceivably be taken in existing circumstances—towards professional unification. Again, those who are now casting their votes in this crucial ballot are not acting for present generations of accountants alone, but for future generations also. If during July, 1957, Incorporated Accountants ensure by their postal votes that the integration schemes become effective their successors will account it to them for wisdom and far-sightedness.



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A full report of the proceedings at the extraordinary general meeting of the Society of Incorporated Accountants, held at the Royal Festival Hall, London, on June 19, 1957, with the President, Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., in the chair.

Proposed Integration of Incorporated and Chartered Accountants

The President of the Society (Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A.), opening the meeting and proposing the resolution before it, said:

Nearly six months have elapsed since the publication of the proposed schemes of integration with the English, Scottish and Irish Institutes. Since then meetings have been held by the District Societies up and down the country and overseas and much has been said and written on the subject. In all the circumstances I think I can assume that you are all familiar with the schemes and fully understand them. In our assessment of them we have to bear in mind not only their effect on the present generation but also their important impact on the future of the profession.

The position today is that the schemes have been approved by the requisite majorities of members of the English, Scottish and Irish Institutes and the fate of the proposals thus rests with members of the Society. This is a very heavy responsibility.

Objects of the Society

The great work done by the Society has been due in no small measure to the wisdom and foresight of those who founded it over seventy years ago. The fundamental objective was to provide an organisation for accountants and to advance and protect the status and interests of the profession. To achieve this, regulations were made and amended over the years which enabled entry to the Society of persons qualified by examination not only by way of articles to members practising in this country and overseas but by way of service other than under articles—to students employed as accountancy clerks who became known as bye-law candidates. Appropriate experience with certain qualified persons in certain public and local authorities was also accepted for the purpose of admission to the examinations.

Let us examine each of the features to which I have referred so that we may note the extent to which the schemes mark the achievement and fulfilment of the objectives set for the Society by its founders.

Recruitment

Premiums for articles are now virtually things of the past in this country. Only 14 per cent. of the articles registered by the English Institute at the present time carry a premium and the present trend is for increasing salaries to be paid to articled clerks because, in the light of the opportunities and remuneration offered in other callings, it is only in this way that candidates of the right calibre, irrespective of their financial circumstances, can be recruited.

Entry to the English and Irish Institutes is, however, still restricted by the limitation on the number of articled clerks that an individual practising member may take at any one time. At present the number is two, and two only. In consequence over 50 per cent. of the present new entry to the Society has been trained in firms in which there is at least one Chartered Accountant partner. An amendment of the regulations of the English and Irish Institutes to increase the number of articled clerks on the lines envisaged in the schemes would certainly add to the existing recruitment difficulties with which practising members of the Society already have to contend, and it was quite plain to us that an amendment of this nature would be made in the event of the schemes not being approved.

Economic conditions in this country over the years have narrowed the differences between articled and bye-law service. The bye-law procedure is now based on six years' qualifying service after registration and Preliminary examination exemption at a minimum age of 17½ years.

It is, I think, significant that the Society's bye-law procedure has had markedly little influence on the profession in Scotland, where the limitation on the number of articled clerks taken by Scottish Chartered Accountants has never been fixed numerically but by reference to the training facilities available. Indeed the practising element in the membership of the Scottish Branch of the Society was larger in number in 1899, the year of its formation, than it is today. Certainly I personally can testify to the great benefit that these schemes, had they been adopted earlier this century, would have conferred on those numerous members of the Society who, like myself, after qualifying as Incorporated Accountants under the bye-law procedure had then to enter into articles and take the English Institute's Preliminary, Intermediate and Final examinations before gaining membership of that Institute.

There is now available to accountancy students in public and local authorities membership of specialised bodies of such eminence as the Institute of Municipal Treasurers and Accountants, which was founded in the same year as the Society and is the predominant body in the local government field. Although membership of the Society has provided an additional first-class qualification and status for those entering local government service, in fact only 233 local government candidates out of a total recruitment of 7,679 were registered by the Society in the past six years. In the last three years the number of such students to be registered was only 26, 24 and 11 respectively: that is 61 out of a total recruitment of 3,772 in the last three years. It seems quite clear that it is no longer necessary for accountants in local government service to obtain both the I.M.T.A. and the Society qualification.

Members Overseas

Most of our members abroad are also members of a recognised oversea body and in many cases they are members of a Commonwealth Institute of Chartered Accountants. Local legislation has tended to make membership of such bodies a prerequisite to practice in many countries.

We can justly take great pride in the part played by the Society in the development of the profession overseas and in its close and happy relations with oversea bodies. But the main allegiance of the member abroad must surely be to his oversea body and the measure of the Society's continuing contribution must by the nature of things decrease as the size and influence of the oversea body grows. In countries where established bodies exist I am convinced that the English Institute, through its Overseas Relations Committee, will do all it can within the limits set by its Charter to assist those oversea bodies and to look to the interests of our oversea membership.

We recognise, however, that the disappearance of the Society will create problems in some parts of the world. In those areas where use has been made of the qualification granted by the Society it may be necessary for new local bodies to be established or for existing bodies to accept greater responsibilities than hitherto for the development of the profession. In this connection I would like to draw your attention to the policy of the English Institute to which the then Vice-President of the Institute referred in these terms at the special meeting of its members on February 19, 1957: "The policy of the Council is to encourage the formation and development of bodies of professional accountants overseas and to assist them as far as practicable in their examinations and in other matters." I am sure that in pursuance of this policy the Institute will give every assistance it can to oversea accountants in establishing or developing their own accountancy bodies and in creating qualifications of high standing.

Basic Principles of the Schemes

I do not propose to take up your time by enumerating the advantages of the schemes; they are quite apparent. But let me be quite frank: these are not precisely the schemes that the Council wanted to submit to members. The Council desired most strongly that all members of the Society should be admitted to the Institutes with an immediate and universal right to use the Chartered designation. The negotiations on the schemes now before you opened nearly three years ago, and the Council made representations in the strongest terms and pressed them and possible variations to the uttermost limits, but all three Institutes were quite adamant that they could not accept our representations for two main reasons:

First: because service under articles with a member practising in the appropriate part of this country or Ireland has been an essential requirement in the regulations of all three Institutes ever since the date of the grant of their first Charters; and

Secondly: because there was abundant evidence that schemes based on wider principles would stand no prospect of commanding the requisite support in the Institutes.

We all readily acknowledge that much of the accountancy training provided in public and local authorities and in industry is of the highest quality. But the purpose is different and the member trained in the office of a Treasurer of a large city or county must, I suggest, be regarded as a specialist and not as a general practitioner or, normally, as one who would ever desire to become a general practitioner.

In their general practice field all three Institutes regard it as fundamental that qualifying service should be in a practitioner's office. This requirement is also insisted upon by all the Commonwealth Institutes of Chartered Accountants, which incidentally treat membership applications from emigrating members of the Society trained outside a practitioner's office on different terms from the rest of the Society's membership. It is pertinent perhaps to observe, too, that in one particular oversea territory members who qualified under the bye-laws in a practitioner's office are not accorded the same recognition as ex-articled clerks.

The importance that the Institutes of Chartered Accountants at home and abroad attach to qualifying service being undertaken in the office of a practising accountant has, I suggest, to be viewed in the light of the equal importance which the Institute of Municipal Treasurers and Accountants attaches for its particular and specialist purpose to qualifying service being served in a public or local authority and nowhere else.

Incorporated Accountants of the Institute

In my view it cannot fairly be suggested that 1,140 members in the United Kingdom and 925 members overseas are being disenfranchised—or worse—by the schemes.

The schemes, while seeking to preserve what the Institutes all regard as a fundamental principle, offer membership of the English Institute to all these 2,065 members and, if they seek to engage in the practising side of the profession in this country, the opportunity to use the Chartered designation. I think I must refer in specific terms to the rights and privileges of those who under the schemes would become Incorporated Accountant members of the English Institute:

(*a*) They will be entitled to all the other rights and privileges of membership (including the right to vote at meetings and to be elected to the Institute Council and Committees) but they will not be permitted to train any further candidates for membership of the Institutes.

(*b*) They will be fully entitled to practise as Incorporated Accountants and will retain their rights under the Companies Act as members of the English Institute.

(*c*) While they may not use the designation "Chartered Accountant," they may rightly state that they are members of the Institute of Chartered Accountants in England and Wales.

(*d*) If they wish to practise under the Chartered designation, Clause 6 of the English scheme and comparable clauses in the Scottish and Irish schemes make them eligible to do so on completion of three years' experience with a practising Chartered Accountant either as a partner or as an employee.

(*e*) The members of the Society who qualified overseas are for the most part also members of a Commonwealth

Chartered body. As such they can practise under their Commonwealth Chartered designation in this country and apply to the Board of Trade for recognition for the purpose of public company audits under the provisions of Section 161 (1) (*b*) of the Companies Act, 1948. Moreover, as members of a Commonwealth Chartered body recognised by the Institutes they can join firms of United Kingdom Chartered Accountants without prejudice to the firms' continued use of the Chartered designation.

(*f*) If, notwithstanding the rights of Commonwealth Chartered Accountants mentioned above, a member who qualified by means of the South African Modified or Special Final examination desired to render himself eligible to use the English Chartered designation within the terms of Clause 6 of the English Scheme, he could do so by passing the prescribed Final Examination and could present himself for that examination without first having to serve any further period under articles.

Can it seriously be contended that a designation backed by membership of the English Institute would in effect prove to be a less useful qualification than the present one conferred by the Society?

Paragraph 16 of the explanatory memorandum of December 20 dealt with the position regarding those of our members who do not join one of the three bodies and said, *inter alia:* "Counsel consider, however, that if the Institute were to bring proceedings to protect the description Incorporated Accountant, such proceedings ought in principle to succeed, particularly if a high proportion of the members of the Society who would qualify for membership of the Institute as Incorporated Accountants decide to join the Institute."

If this passage has given rise to any doubt whether the Institute will not take just as energetic steps to protect the Incorporated designation as they do in respect of the Chartered designation, I say quite emphatically that such a doubt is completely ill-founded.

If the schemes are approved and implemented it is to be hoped that all members will abide by the majority decision and join one of the Institutes. I regard as a quite unworthy assessment of the ethics and moral standards of any of our members any suggestion that he would not join in order to relieve himself of the obligation to pay a membership subscription or to enable him to act unprofessionally without disciplinary control.

The Future

It is not unnatural for us to ask ourselves how the schemes affect us individually, and we may be tempted to vote solely in favour of our own interests. However, as members of a great community and of a great profession we should consider our wider responsibilities, and it is in this context I make my final remarks.

The broad objective of the proposals is to take a first step and go as far as is practicable at the present time towards the unification of the accountancy profession in the United Kingdom and Ireland. We are proud of the part we have played, the high standing we have achieved and the great heritage we have received from all those who created and built this Society.

But what of the future? Is not that the paramount consideration? Few, I think, would claim that the present set-up is wholly satisfactory, but I do not regard the present schemes as the final step in the co-ordination and rationalisation of the profession. Some may assert that this is a take-over bid and that the character of the Society will perish. In my view such an assertion is ill-founded. Throughout the negotiations the good faith of the Institutes' negotiators and Councils has been manifest, and a take-over bid would have been conducted in an entirely different manner. We shall represent about a third of the total membership of the English and Irish Institutes and have a sizeable representation on their Councils—including, I hope, one Incorporated Accountant member on the English Institute Council. Such representation, backed by the active interest of all members, will play its part in maintaining the high standards of training and character now required by all four bodies and in preserving the high ideals and liberal outlook of our founders. Further, it can be said with confidence that the three integrated bodies of Chartered Accountants, linked by a joint Committee, will present a firm and more authoritative concept of organisation than exists at present.

The choice before us is not between integration and the Society with its articled clerks and bye-law candidates as it now exists and functions: but between integration and the Society denuded of one of its main supplies of new blood, namely bye-law candidates in Chartered Accountants' offices, who would doubtless become Chartered articled clerks. The status quo is out of the question, and integration has been offered in the terms of the schemes now before you.

As I have already stated, your Council would have preferred that the schemes were different in certain particulars but they decided that these integration proposals are in the best interests of the Society as a whole and of the profession in general and should be submitted to you for your decision. In reaching that decision they weighed the personal and collective aspects of the proposals and the future of the Society in the event of the schemes not being proceeded with, and, having full regard thereto, commend the proposals to all members for their acceptance. I do hope you will all feel able to accept that recommendation. How, I ask, can rejection of the schemes possibly benefit any single member of the Society?

Any suggestions today of possible alternative schemes or amendments to the schemes before you would be quite profitless and to no purpose because in my considered view they would constitute an outright rejection of the schemes. Therefore we should consider the schemes as they are and vote upon them and them alone. In this context let us recall those immortal words of Congreve:

> Defer not till tomorrow to be wise,
> Tomorrow's sun to thee may never rise.

The fate of the proposals and the future of the Society and its members now rests in your hands. On the record of this meeting and the result of the poll future generations will pronounce on the manner in which we today discharged our heavy responsibility. Let us quit ourselves like men and may we be blest with a right judgment in all things.

I formally propose, as a special resolution:

That the schemes of integration all dated December 5, 1956, between the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland respectively and the Society (prints of which schemes were set out in Appendices A, B, and C to the memorandum dated December 20, 1956, sent to all members of the Society, and prints of which schemes have been laid before this meeting and for the purposes of identification signed by the Chairman) be and the same are hereby approved.

I will now call upon the Vice-President to second that proposal. (*Applause.*)

The Vice-President (Mr. Edward Baldry, F.S.A.A.**):** I have pleasure in seconding the proposition submitted to you by the President. As many of you here know, I am an enthu-

siastic supporter of these schemes. The President has, I think, put the issues before you with studied moderation. I hope and believe that by our vote today and on the ensuring poll we may really achieve something which will be of lasting benefit to our great profession. (*Applause.*)

The President: Ladies and gentlemen, I declare the meeting open for discussion. I would ask that all speakers should give their names and towns, and again I would urge you to be as brief as you can.

Discussion

Mr. B. V. Piggott, A.S.A.A. (Ipswich): Mr. Chairman, ladies and gentlemen, my name is Piggott: I am an accountant in the public service, at present working in Ipswich. My qualifying experience was obtained with Watford Corporation.

We have before us this afternoon three schemes of integration with the Chartered Institutes of England and Wales; Scotland; Ireland. The principle of integration is bold and, while many arguments have been advanced for and against, I believe that most of us are agreed that the bodies concerned would all be strengthened by an amalgamation.

There is one important feature, however, to which there is powerful objection. It is suggested in the schemes that 80 per cent. of the members of the Society of Incorporated Accountants should become Chartered Accountants; the remaining 20 per cent., comprising those who qualified by virtue of experience obtained either (*a*) in the public service or (*b*) overseas, would be admitted to the Chartered Institute of England and Wales, but refused the title "Chartered Accountant." Further, this minority would also be refused the right to train future members in their own offices.

I am speaking today on behalf of seven hundred colleagues in the public service who have assured me of their firm support. In addition, several hundred oversea members object strongly to this feature of the schemes, and many of these have been in touch with me. Only yesterday I received eighty signed forms of support from India.

We are proud of the history of our Society as an independent, liberal-minded body of accountants which has set a very high standard indeed. It was a severe shock to find in my Christmas mail a document which implied that 20 per cent. of the Society's members were regarded in some way as inferior to the other 80 per cent. The very title Incorporated Accountant would itself be devalued by being used to denote a second-class citizenry within chartered accountancy. This title would no longer signify membership of a highly respected professional body, some eleven thousand strong, but would represent a diminishing minority within another body with a different title.

One may perhaps visualise the last "Incorporated Accountant" some fifty years hence as having a scarcity or antiquarian value. During the intervening years, however, the initial minority would suffer a substantial reduction in the value of their qualification and the present students would find at the peak of their careers that the title Incorporated Accountant was almost unknown in the business world.

The Council has pleaded the excuse that it is a transitory measure and the minority would die out in a generation. On the contrary, this is an excellent reason for granting equal rights to all members and students.

It is claimed in support of the schemes that integration would remove confusion from the mind of the public. I dispute this argument, as the explanation of the two terms Chartered and Incorporated is at present straightforward and our numbers are substantial; the proposals in the scheme, however, would need an involved tale explaining why we were members of a Chartered Institute but were required to call ourselves Incorporated.

Our colleagues overseas joined the Society, after satisfying its examination requirements, on the understanding that they could train future Incorporated Accountants and, if they so desired, come to the United Kingdom to practise as accountants on an equal footing with those who had been trained here. The schemes propose to deprive the oversea members of these rights.

So far I have stated our objections to the schemes and the reasons therefor. Now I should like to suggest the remedy.

We must give the Council of the Society a clear mandate to reopen negotiations to secure equal treatment for all members and students.

I am sure that the Institutes would not have insisted on the terms offered if they had anticipated the vigorous resentment which the present proposals have aroused. So far as their own members are concerned, it is well-known that some voted against the schemes solely because of the discrimination against a minority of the Incorporated Accountants. A more generous policy could not cause any harm to the Institutes but would, in fact, enhance their professional standing and remove a strong feeling of dissatisfaction from within the Society.

Whilst I have fundamental disagreement with the Institutes' contention that "experience in the office of a practising accountant is the only adequate training ground for a professional accountant," there must be a certain amount of "give and take" in an integration of this kind and most, if not all, of my supporters—seven hundred in this country and many overseas—would accept the schemes if they were revised to provide equality of treatment for all members and students. The policy for new entrants may reasonably be left for determination by the new Institutes, but there is no justification for devaluing the qualification held by existing members. The preservation of the rights of minorities is a cardinal principle of British religious and political life.

If the schemes should be put to the vote in their present form, without affording equal treatment to us all, I am confident that nearly all of the two thousand who are adversely affected would, in fact must, vote against the schemes. I am asking our fair-minded colleagues to join with us, so that we achieve at least the 25 per cent. of members voting which is necessary to make the Council think again and reopen negotiations, strengthened by this expression of our opinion.

In order to make it quite clear that our intention to vote against the schemes indicates dissatisfaction, not with the principle of integration but with the manifest unfairness of one major feature, I am asking you all to support the following amendment: "That the schemes of integration all dated December 5, 1956, be amended to provide equal rights to all existing members of the Society and candidates in course of qualification."

I understand, Mr. Chairman, that you have indicated unofficially that you would be unwilling to accept an amendment today. I am requesting you to reconsider that statement, as the foregoing amendment appears to come within the scope of the notice of this meeting, and is covered by the formal notice which I gave to the Secretary of the Society in my letter of January 24, 1957. It is unreasonable to place members in the position of a single choice between voting for, or against, the schemes. Ladies and gentlemen, let us stand together and say in reply to the Council's resolution: "No. The schemes, as drafted, are not good enough." (*Applause.*)

Mr. H. Hayhow, M.B.E., F.S.A.A. (West Ham): I am Borough Treasurer of West Ham, and a Fellow of the Society, paying a subscription as a practising member. I am also Honorary

Sir Richard Yeabsley (President) addressing the meeting of the Society on integration. A section of the large assembly is shown.
(Photo: Keystone)

Secretary of a small organisation which has been established for thirty-five years to look after the professional and personal interests of qualified accountants in the local government and public service, and I am certain that the founders of this small organisation never thought it would have to be put to this use.

About 450 of the members of this organisation are members of the Society, and I speak in opposition on behalf of the overwhelming majority of these members, with due regard to the responsibility that rests upon us.

The proposals in the schemes of integration can be criticised on three main grounds: (*a*) as they affect the profession; (*b*) as they affect the public; and (*c*) as they affect members of this Society. So far as the profession is concerned, the proposals will do nothing to regulate the entry into the profession as a whole, as this cannot be achieved until some scheme of registration comes into operation. We are also told that this is the first step towards unification of the profession, but we are given no indication whatever as to what the next step is. It is in that respect that many of us have great fears and apprehensions. The scheme can be referred to as a tidying up of the private practising sector of the profession. Accountancy, Mr. President, is the only important profession where there is any attempt to divide the activities of its qualified members into watertight compartments.

I and my colleagues consider that if the scheme is not passed more can be achieved for the profession in its widest sense by full co-operation between the main accountancy bodies than is likely to result from this scheme.

I now turn to the effect of the scheme on the public. One of the great advantages claimed for the scheme is that it will remove confusion from the minds of the public with regard to the accountancy profession, but first we should be satisfied that confusion does in fact exist. I suggest that the regular appearance of advertisements specifying either the Chartered or Incorporated qualification over a number of years does not indicate a great deal of confusion amongst the informed public. If there is confusion now, is it not likely to become greater after this scheme? We shall have (1) Incorporated Accountants who can rightly claim membership of the Institute of Chartered Accountants, and subjected to the control and discipline of that body. We shall also have Incorporated Accountants entitled to use the designation but who will be subject to no disciplinary control whatsoever. That gives us two classes of Incorporated Accountants. But who is to say that after the dissolution of the Society a third class of Incorporated Accountants will not emerge?

The President has dealt with the provisions of paragraph 16 of the Memorandum, which rather shakily claims that the title Incorporated Accountant can be protected at law, and Clause 22 (*a*) (ii) of the scheme itself seems a little uncertain, for in brackets at the top of page 26 appear these words: "including such rights as the Society can transfer to grant and withhold the designation Incorporated Accountant and the use of the designatory letters."

We, too, Mr. President, have been advised that if a large proportion of the future Incorporated Accountants do not

transfer to the Institute, then there may be the utmost difficulty in protecting the title and designatory letters. But what has disturbed us further is that we have already an indication that some of the older members of our Association who are Incorporated Accountants are already considering whether or not they should transfer to the Institute. Apart from this confusion which will be aroused in the mind of the public, we also feel that the future status of Incorporated Accountants in the eyes of the public and of employers will be depressed. We shall, in fact, be a third class of members of the Institute—there being already two classes—no longer enjoying equality with our fellow members of this Society.

The appellation Chartered Accountant undoubtedly has its attractions, and must be adopted by certain members of the Society who transfer. We feel, therefore, that the residual Incorporated Accountants will become an anachronism within the Institute, to be tolerated only until they finally become extinct. In this view we may be a little biased in our assessment of the situation, but with your permission I will read two extracts from the editorial columns of the more responsible Press. I could, of course, Mr. President, read others, but I think two are sufficient for today's proceedings. The first comes from *The Times* dated February 12, 1957. I quote: "The major disadvantage of the proposed integration scheme is the incomplete nature of this professional 'take over.' Though the preponderating majority of Incorporated Accountants become automatically Chartered Accountants under the proposals—all those obtaining their qualification through the professional office or as bye-law candidates are included—to about one-fifth of the Society's membership, to those who qualified abroad or in the Treasurer's office of central or local government, this privilege of title would be denied. They would remain Incorporated Accountants in designation, but become members of the Chartered Institute. This is the crux of the matter and upon it the merger proposals may founder, for it gives the appearance of creating a second class citizenry in the midst of chartered accountancy."

My second quotation comes from the *Manchester Guardian* dated February 19, 1957, and reads "Many members of the Society oppose the terms of the scheme. In particular, the arrangement whereby those members of the Society who have qualified in public accountants' offices are to become full members of the Institute whilst those who qualified abroad or who learned their profession under a local government Treasurer are to become only 'Incorporated Accountants' of the Institute is held to be objectionable. It seems to create a kind of second-class membership, whereas when joining the Society members joined as equals."

Those, Mr. President, are public expressions, entirely uninspired, of the fears we entertain.

I now turn to the Society itself. I and those I represent feel that a fundamental injustice is being inflicted on the minority of the members of the Society by this scheme. In no other major profession have I been able to find a precedent similar to this; for we have about 1,200 members—I cannot speak for members overseas—who have passed the same examinations, complied with all the onerous requirements of the Society and have been properly admitted to membership in the same way as all other members. They have enjoyed equal rights of membership and shared equally in its obligations and duties. Some members pay a subscription as a member in practice and have the privilege of training articled clerks. Suddenly this equality is being swept away, and apart from the question of title, we are to be subjected to the restrictions set out in paragraphs 2 and 4 of the scheme. And if the members of this Society still feel that these restrictions are quite nominal, may I just read what is to be the future designation of an Incorporated Accountant within the Institute of Chartered Accountants?

The President: Mr. Hayhow, I think you can fairly assume that all members have read that part of the document. (*Applause.*)

Mr. Hayhow: I was only trying to give a complete view, Mr. President, rather than have 200 or 300 people make short speeches, and I hope that you will bear with me. What is the basis of this unprecedented discrimination? This discrimination is not based on on character or ability of the man, or on the type of work undertaken. Some might argue that the training of a public office does not develop that independence of mind which is necessary in a professional accountant. I think I can say, after fifteen years as a Chief Financial Officer, that in exercising independence of mind and accounting integrity our position is not made easier by serving one client only.

This discrimination, however, is not against these members as accountants, nor the quality of their qualification or work, but solely on the arbitrary historical circumstance that they have been employed or have served their articles in accountancy in the public service.

We feel this invidious distinction acutely, and we fear that, having once been discriminated against by our fellow members of this Society—why should we not be subjected to further disabilities when we become a tiny and easily defined minority in a membership of 30,000, the majority of whom will owe no loyalty or obligation to us?

We would like to have been more constructive in our remarks, but you, sir, have indicated that you are not in the position of accepting any amendments to the motion now before the meeting. We regard this as a great pity. We also do not take such a pessimistic view as has been taken by yourself, sir, of the future of the Society. If the situation is critical, as has been suggested, then we should have thought that this was a challenge to the ingenuity of the Council, and did not call for a scheme which does nothing to properly regulate the profession, which will create confusion in the mind of the public, which will debase the title of Incorporated Accountant and which will inflict a fundamental injustice on a minority of the members of the Society. I therefore appeal to all members of the Society to consider this matter most carefully and not be swayed away from their normal high sense of justice by the title of Chartered Accountant, and I ask them to join with me in moving the rejection of this scheme. (*Applause.*)

The President: Before moving on I should like to make one thing quite clear. What I said in my remarks was this: that any suggestions today of possible alternative schemes or amendments to the schemes before you would be quite profitless and to no purpose, because in my considered view they would constitute an outright rejection of the schemes. Legally I understand that an amendment could be put, but with regard to the amendment suggested by Mr. Piggott, I have made it quite clear to him and he knows from correspondence he has had with the Institute of Chartered Accountants, whom he quite rightly approached, what the position is. They left him in no doubt that the Institute Council would not have accepted the scheme on the basis suggested by him.

The other point that I should like to make—I do not want to appear in any way antagonistic to Mr. Piggott; he is quite justly entitled to his views and I am obliged to him for expressing them—is this. He did mention, and I have no doubt he was justified in doing so, that he had 700 supporters. But might I add this, without in any way causing offence? Am I not right,

(*Continued on page 323*)

Look! No Hands!

BUSINESS EQUIPMENT WAS on show at Olympia in London last month with all the accustomed glitter of the Business Efficiency Exhibitions and rather more colour than usual. Most of these exhibitions in previous years have been dominated by the introduction in quantity of some new device for the use of the accountant or his staff. This year some people had expected that computers would set the tone of the show. However, although there were several of these mighty instruments displayed, it was their influence on a large number of normal keyboard accounting machines that was most striking. Many of the computer manufacturers did not exhibit and of those that did many showed the scientific applications of their products, to the exclusion of all but the largest of business systems. The business public concerned with the handling of large quantities of commercial data was catered for not with tape-punching equipment as separate units, but with tape-punching attachments for use with current accounting machines.

Such a combination was exhibited by *Remington Rand Ltd.* A normal Remington "Foremost" accounting machine was linked with a paper tape perforator of the 8-channel type. The operation of the machine was in no way affected by the synchronisation with the perforator, which can be linked with any of the 500 or 600 series of accounting machines. The object of this method is so to utilise the initial process of feeding data into the system that there is prepared an immediately visible record in the form of a ledger or stock control record, and at the same time there is converted to tape all or a selected part of this information for purposes of transmission, storage or use as input for a computer. The "Foremost" can be linked with 5, 6, 7, or 8 channels and the perforators are available to work with any existing tape to card converter. Even this last-mentioned stage can be eliminated by the use of the "Remington Rand Synchromatic". This accounting machine produces punched cards as a by-product for further use on punched card equipment.

The card-punch just mentioned was supplied by *Powers-Samas*, on whose stand the new "Samastronic Tabulator" commanded interest. Instead of type, this tabulator employs 140 styli to write letters or figures in two alternative sizes from a range of 50 characters at a speed of 300 lines of 140 characters a minute. The tabulator operates from 130 or 160 column punched cards and the general versatility is increased by the alternative arrays of adding and subtracting units. There appears to be no limit to the uses of punched-cards and these were seen controlling the delivery of material to work-positions by means of an overhead rail conveyor called the "Powers-Samas Auto-Route." The first of the punched cards was advanced to the sensing position and in due course caused the workholder to be dropped from the conveyor rail at the selected station. The operative receiving the holder extracted the first card, sending the holder on its way with completed work controlled by the next card. The first card was later handed in by the operative to provide costing and production information through the medium of the sorters and tabulators.

W. H. Smith & Son (Alacra) Ltd. demonstrated a very neat and robust typewriter attachment called the "Flexomatic." This piece of mechanism is an electric linefinder and was shown working on five different makes of electric typewriter. The normal platen is replaced by one fitted with pin-wheels to handle continuous stationery forms the length of which is matched by the circumference of a punched belt running over pin-wheel sprockets in a small casing at the side of the typewriter. This belt is notched at points to correspond with the intervals at which a line of type may be required to coincide with the ruling of the particular form in use. A control button enables the operator to tabulate the form vertically to any stage notched on the controlling belt. The completion of each form coincides with a complete revolution of the belt. The operator thus has automatic two-directional tabulation. Also displayed by this firm was the "Alacra Formflow" controlled carbon feed designed to feed four layers of carbon paper slowly between five-part continuous forms over IBM or Hollerith tabulating machines. As the carbon moves only .012 inches per line printed, the carbon is properly exhausted before being discarded.

A considerable advance in the design of accounting machines was evidenced by the "Sensitronic," a machine particularly suitable for banks but also having applications in other offices. The machine is produced by *Burroughs Adding Machine Ltd.* In addition to the facilities usually afforded by this class of machine the feeding and alignment of forms is automatic. More impressive still is the ability of the machine to read the previous balance from a magnetised coating on the statement form, thereby eliminating pick-up errors. Each posting is preceded by the insertion of the account number and should this differ from the number sensed by the machine from the statement actually selected the machine cycle is interrupted. A progressive count of items is recorded electronically for the compilation of production figures. The date is set by dials which can be locked. An independent listing tape records trial balances and so on taken automatically from the magnetically recorded ledger values. From the same source comes the "Typing Sensimatic Accounting Machine," which is similar to the

"Sensimatic" but with the addition of a typewriter keyboard for use when full typewritten descriptions are required. Burroughs also offered a linked tape-punch providing the popular lead-in to the punched card or computer field. Computers by this firm were represented by the "E.102," a desk-sized instrument similar to, but with a larger capacity than, the earlier "E.101." This was displayed with a scientific application. On leaving the stand one was struck by the appearance of a row of "Director Adding Machines" available in four alternative pastel colours. Indeed, the tendency towards the use of decorative shades in the finish of appliances was apparent throughout the exhibition.

Every aspect of electronic data processing appeared to be covered on the *I.B.M.* stand. In addition to a wide selection of punched card instruments there was an impressive array of computing equipment, drawing large crowds. There were not only the latest card and tape handling devices, but also "random access" machines working on magnetic tape or discs, and auxiliary equipment such as a sterling converter. The latest advances in automated accounting were here to be seen.

Books of reference were well represented by *Business Publications*. Among the variety of material on show "The Private Secretary's Desk Book," "The Company Secretary's Desk Book" and "How to Sell Successfully By Direct Mail" were contrasting but well written matter of value much in excess of their modest cost.

In the £3,000–£4,000 class of accounting machine comes that offered by *Logabax Ltd.* The basis of this machine is an analytical capacity of 198 registers arranged in two banks of 99. As these registers are not visible their quantity could, under some circumstances, present problems. This possibility is now completely disposed of by the introduction of the "Logabax Illuminated Panel" resembling a small television screen engraved with 99 numbers which are illuminated separately as the corresponding registers become active.

Although the *National Cash Register Co. Ltd.* did not show a complete National-Elliott computer assembly, a "Magnetic Film Controlled Paper Tape Output Unit" was of interest to those with a large computer output to handle. The unit converted to punched tape simultaneously from four of the eight tracks provided on the 35mm magnetic film, providing, in effect, a double run of four which greatly speeds up the ultimate rate of output. Among the keyboard machines of this company the "Class 31" was outstanding in the performance of direct multiplication in sterling without any indexing beyond the insertion of the quantities and values concerned, enabling invoices to be extended and posted at high speed in one operation. Here again in the "Class 461–8" appeared a machine punching tape as a by-product of normal posting procedure.

George Anson & Co. Ltd. had on show their usual comprehensive range of "Visipost" ledger cards housed in cabinets of advanced design with a capacity of over 12,000. Hand-operated peg-board type pay-roll with automatic re-positioning was also featured on this stand together with a range of two-register accounting machines available in 24 inch to 45 inch carriage sizes. A simpler instrument from the same supplier was a front feed typewriter, the feed and ejection being automatic and intended for ledger posting. Another machine, this time by *Manifoldia Ltd.*, consisted of a typewriter complete with fully automatic front feed, ejection and line selection, but with no adding boxes. The machine was described as being dual purpose, as it may be used for accounting or as a normal typewriter. It forms a stepping stone from the manual systems, for which this manufacturer is well known, to the fully mechanised equipment.

A further extensive range of punched card units under the mark of Hollerith was displayed by the *British Tabulating Machine Co. Ltd.*, including a tape to card punch working at 14 columns per second and the "906 Tabulator" working at 200 lines per minute. Even this speed was much exceeded by the prototype "Shepard Electronic High Speed Printer" still under development, but achieving 600 lines per minute and sounding very like a machine-gun in its action. The "HEC computer" on this stand handled a complete pay-roll, producing pay-slips and cheques, up-dating all relevant records whilst doing so.

Showing new developments in the field of desk calculators were the *Monroe Calculating Machine Co. Ltd.* with the "Model 88N–213," *British Olivetti Ltd.* with the "Tetractys" and from a name well known in this sphere, an accounting machine—the "Addo–X" by *Bulmers (Calculators) Ltd.* The carriage of the "Addo-X 7000" is actuated by a worm drive, giving a very smooth movement. This is a two-register machine with a simple keyboard, but there are also the "6000" and "5000" machines utilising one register only—the second of these machines can have a decimal keyboard for stock control applications. All of these machines illustrated new achievements in advanced facilities at reasonable prices.

Four of the main approaches to the problem of storage were covered by the " Railex" lateral suspended filing cabinets, the "Compactus" filing and storage bays mounted on rails, the revolving cardwheels by *C. W. Cave & Co. Ltd.*, and the *Twinlock* cycle-billing cabinet. This last piece of equipment consists of a five foot wide locking roller-shuttered container built to hold twelve active ledger trays with immediate access to six "dead" trays in the rear. The cabinet was displayed in an ingenious cycle billing.

A wide range of instruments was shown by *Communication Systems, Ltd.*, and the eye was immediately taken by the illuminated telephone specially designed for night calls. A neon lamp flashed with the ringing of the bell and a lamp shining through the translucent case provided sufficient light for the taking of messages.

While there was no sign of a general invasion of offices by computers, it seemed that accounting machine developments would be directed towards securing greater integration with established punched card equipment, later utilising central computer services as they become more generally available for the production of statistics from tape or cards produced as a by-product of locally processed data.

Supplement to *Accountancy*, July, 1957.

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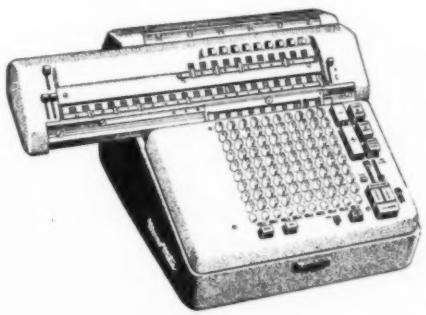

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Before capital is distributed a settlor may wish the income to be accumulated. But the periods of valid accumulation are strictly limited by the Law of Property Act. The Act poses many problems for judicial interpretation.

The Legal Restrictions on Accumulating Income

[CONTRIBUTED]

LEGAL RESTRICTIONS ARE placed on attempts by donors or testators to secure that income from property should be accumulated for what the law regards as an undue length of time before the capital is finally distributed to beneficiaries. These restrictions, collectively known as "the rule against accumulations," can be simply stated in the abstract but are not easy to apply accurately to concrete cases. One of the practical difficulties, one that is as likely to concern accountants as lawyers, is: what to do with the income during the period of time in which the law imposes a ban on accumulation? This particular problem and its ramifications is illustrated in the case of *In re Ransome* (1957, 2 W.L.R. 556).

The present law relating to the rule against accumulations is contained in Sections 164 to 166 of the Law of Property Act, 1925. It originated at the end of the eighteenth century, after a certain Mr. Thellusson made a will in which he directed that the income of his property should be accumulated during the lives of all his children, grandchildren, and great-grandchildren, living at his death, and that the accumulated sum (estimated approximately at £100 million), when the last of these persons died, should be paid to the male representatives of his sons' families then living. In the litigation that followed it was held that the accumulations were valid since they did not postpone the ultimate vesting of the property for longer than the legally recognised "perpetuity period." The result of the case was the passing of the Accumulations Act, 1800, commonly known as the Thellusson Act, the provisions of which, with amendments, are now contained in the Law of Property Act, 1925. They provide that a settlor who desires that the income of his property shall be accumulated must choose *one* only of the following periods for the duration of the accumulation:

(i) the life or lives of the settlor or settlors; or

(ii) a term of twenty-one years from the death of the settlor; or

(iii) the minority or respective minorities of any person or persons alive or *en ventre sa mère* at the settlor's death; or

(iv) the minority or respective minorities only of any person or persons who, under the limitations of the settlement, would, if of full age, be entitled to the income directed to be accumulated.

(Some extension of the choice was recommended by the Law Reform Committee recently—see ACCOUNTANCY for January, 1957, pages 3–4.)

In the case of *In re Ransome* a testator's direction in the will plainly infringed these rules and it was necessary to decide for what period the directed accumulation was valid. If the period for which accumulation is directed exceeds the relevant accumulation period, the direction to accumulate is good *pro tanto* and only the excess over the appropriate accumulation period is void; the statutory provisions are merely restrictive of the wider powers formerly enjoyed. There is then the question of the destination of the excess accumulation.

This was the question which gave most trouble to the court in *In re Ransome*. A testatrix directed her trustees under her will to hold certain shares in a company on trust to pay and apply any dividend declared thereon for or towards the education of the children or child of her grandson R., and she further directed as follows: "and I direct that any part of the income not expended as aforesaid shall be accumulated until the youngest child of my grandson shall attain the age of twenty-one years; (3) Upon the youngest child of my grandson attaining the age of twenty-one years the R. trustees shall stand possessed of the said shares and the accumulated income therefrom upon trust for such of the children of my said grandson as shall then be living and if more than one in equal shares; (4) Should no child of my said grandson attain the age of twenty-one years my trustees shall hold the said shares and the accumulated income thereof upon the trusts declared in my said will." The testatrix died on July 6, 1935. Her grandson R. had, by his first marriage, a son D., who was born in 1930, and a daughter, who died an infant and unmarried. By his second marriage in 1935 there were, at the date of the proceedings in 1957, no children.

Before dealing with the operation of the rule against accumulations the court had to construe the will. It was held that on the true construction of the will it was the testatrix's intention that all children of R., whenever born, should be educated out of the fund; and that when the youngest attained the age of twenty-one the fund was to be divided among all R.'s children then living; and that, accordingly, the shares did not vest absolutely in D. on his attaining twenty-one.

Excessive Accumulation

The next question was as to the impact of the rule against accumulations on the direction to accumulate until the

youngest child attained twenty-one. Plainly, that direction infringed the rule and it was necessary to determine for what period the term was valid. The test was stated to be that one has first to determine which of the four periods in Section 164, set out above, the testatrix had seemingly selected, determining the question according to the language employed and the facts of the case. Mr. Justice Upjohn thought that this was an artificial and difficult test. The trouble in *In re Ransome*, and in most cases dealing with the rule against accumulations, is that the testatrix had given directions clearly not having the rule in mind at all. The competing periods in this case were two: first, Section 164 (1) (*b*) of the Law of Property Act, 1925, a term of twenty-one years from the death of the testatrix, which brought the period of valid accumulation to an end on July 6, 1956; second, Section 164 (1) (*c*), the duration of the minority or respective minorities of anyone living at the death of the testatrix. If the second period were selected it came to an end when the eldest child, D., attained twenty-one on June 24, 1951. But neither sub-sub-Section fitted in, in the least degree, with the directions of the testatrix. However, in directing accumulations until R.'s youngest child should attain twenty-one, the testatrix could hardly have contemplated that the period of accumulation would in fact come to an end by the attainment by R.'s eldest child of the age of twenty-one years and Upjohn, J., held that sub-sub-Section (*b*) was relevant. The period of valid accumulation was held to be a straight term of twenty-one years from the death of the testatrix.

Hence there was the problem as to the destination of income from the expiry of twenty-one years from the death of the testatrix until it was known when the gift vested. The gift could not "vest" until it was known how many children R. would have and when the youngest of them would attain twenty-one. After that event the gift vested for the benefit of all surviving children of R. The date of this future event was necessarily uncertain, but the income would continue to come in and something had to be done with it.

Was D. entitled, pending vesting, to the income of the shares and accumulations accruing in the period from the expiry of twenty-one years from the death of the testatrix until R.'s youngest child should attain twenty-one? At first sight there are arguments in favour of D. but after careful consideration it was held that he was not entitled and that instead of to him the money passed during that period to the beneficiaries under the general trusts of the will.

The first argument in favour of D. was that the ultimate gift to the children (of whom he was one) carried the intermediate income and that as, for the time being at least, he was the only member of the contingent class of children, he was entitled to be paid the whole income. There is certainly a rule of law that, where the share of one or another member of a class has vested, the income of that share may be paid to one or more members of that class, notwithstanding that the class is capable of increase or decrease. But this rule has no application if no share can be said with certainty to have vested. The well-known rule that a contingent future specific or residuary gift carries the intermediate income, unless a contrary intention is expressed in the will, does not entitle a member of the class whose share has not vested to claim payment of income before vesting. This rule means no more than that the income must be accumulated for the benefit of the class as a whole, again subject to the rule as to members whose shares have vested, in order that it may be seen who in fact are ultimately entitled to the corpus and accumulations. When the law intervenes to prevent further accumulations, then the income will in general pass to residue or on an intestacy, as the case may be.

Although D. was the eldest son in point of birth, it might well have been ultimately found that he was the youngest son to attain twenty-one, for R. might have had no further children. Hence it could be argued that it was unjust to pay away the income to others when it might ultimately be due to D. Upjohn, J., recognised the possible hardship to D., but it was one of degree. He might succeed to a share of the fund by surviving the attainment of a younger brother or sister of the age of twenty-one and, if that happened, it would be a perfectly ordinary example of a contingent gift taking effect: it is a commonplace in such an event that Section 164 of the Law of Property Act may operate to divest some of the income which a testator intended to be taken by those who survived the contingency into the hands of others, such as residuary legatees or next-of-kin. Upjohn, J., did not think that a different result should flow in *In re Ransome* because it might ultimately turn out that D. was the person solely entitled. The ordinary rules applicable to income of contingent gifts had to be applied and, after the period allowed by Section 164, those rules do not in general give the income to members of the contingent class while the interests remain contingent.

Disposal of Interim Income

There is, however, a general statutory power given to trustees to deal with what may be called interim income. This power enables the trustees to pay the interim income to persons of full age who have only a contingent interest as well as to pay to those who have a vested interest. Section 31 (1) of the Trustee Act, 1925, provides as follows:

> Where any property is held by trustees in trust for any person for any interest whatsoever, whether *vested or contingent*, then, subject to any prior interests or charges affecting that property . . . [(i) gives power to the trustees to apply income for maintenance education or benefit]. . . . (ii) if such person on attaining the age of twenty-one years has not a vested interest in such income, the trustees shall henceforth pay the income of that property and of any accretion thereto under sub-Section (2) of this Section to him, until he either attains a vested interest therein or dies, or until failure of his interest.

It was held in the case of *In re Turner's Will Trusts* (1937, Ch. 15) that this Section of the Trustee Act must be read alongside Section 69 (2), which makes the general power applicable "if and so far only as a contrary inten-

tion is not expressed in the instrument, if any, creating the trust." The power is to "have effect subject to the terms of that instrument."

It is clear that a direction to accumulate is a contrary intention which would exclude the incorporation of Section 31 (1) into a will. But it was argued in *In re Ransome* that in that case the rule against accumulations invalidated and made void the direction in the will for accumulation after 1956 and that, therefore, as from that date, there was no valid or effectual direction in the will dealing with interim income until vesting, so that there was no contrary intention expressed in the will to oust the primary operation of Section 31. In other words, if one looks at the effective operation of the will and there is a gap in such operation there is nothing to prevent Section 31 entering and filling the gap. This was an attractive argument, but it was not accepted by the Court.

The testatrix had directed an accumulation. In other words she had shown a "contrary intention" for purposes of Section 69, according to the Court's construction of the Act and the will. D. was not entitled, pending vesting, to the income of the shares and accumulations during the invalid period of accumulation. He could not bring himself within the scope of Section 31 (1) of the Trustee Act operating as an exception to, or qualification of, the normal consequences of an infringement of the rule against accumulations.

Exceptions to the Rule

In conclusion, the statutory exceptions to the rule against accumulations to be found in the Law of Property Act may be contrasted. There are five of these exceptions.

(1) Payment of debts: a provision for accumulation for the payment of the debts of any person. This includes an accumulation directed for the payment of any debts, whether of the settlor or testator, or any other person. The exception includes any debts, whether existing or contingent, provided the accumulation is directed *bona fide* for their payment. Thus it extends to accumulations to discharge a mortgage or to provide for liability under a leasehold covenant not yet broken.

(2) Portions: a provision for accumulation for raising portions for any issue of the grantor, settlor or testator or any person to whom an interest is limited under the settlement. It has been held that this exception does not extend to a direction to accumulate the income from the whole of a testator's estate.

(3) Timber or wood: a provision for accumulation of the produce of timber or wood. But such a direction, like a direction for the provision of portions, will be void if it exceeds the legal "perpetuity period."

(4) Maintenance of property: a provision for maintaining property at its present value. Directions to devote surplus income to maintaining buildings in a proper state of repair, or to apply a fixed annual sum to keep up an insurance policy to replace the capital lost by not selling leaseholds, are outside the rule against accumulations even though, by adding income to capital, they in fact effect accumulation. But they must be confined to the perpetuity period.

(5) Minority: accumulations during a minority under the general law or any statutory power. While the person entitled to any trust property is an infant, a statutory power is given to the trustees to apply the income for his maintenance by Section 31 of the Trustee Act, 1925, and, subject thereto, they are bound to accumulate the residue of the income. It is expressly provided in Section 165 of the Law of Property Act, 1925, that the period of such accumulation is to be disregarded when determining the period for which accumulations are permitted. Thus if a testator directs accumulations for twenty-one years after his death and the beneficiary at the end of this period is an infant, the accumulations both for the twenty-one years and during the minority are valid.

Accountant at Large

Uncertain, Coy . . .

THE TWENTIETH CENTURY Briton has contrived to accept all manner of manifestations of evolving civilisation with almost unbroken calm. The internal combustion engine, the trade union triumphant, I.T.V., the cold war, washing up; he takes them all as they come, equably enough. His brave front appears firm enough even when the status of women is discussed; an easy generalisation will come pat—"temperamentally different, old boy," or "women are never any good at figures," or "nursing's the one job they've got us beat at"—but he knows that the problem remains unsolved. There is a tremor of anxiety underlying his stock reaction to the news that the first woman judge has been appointed, that the principle of equal pay has been accepted in yet another calling, or contrariwise that Birmingham Stock Exchange or the Oxford Union has insisted on remaining exclusively masculine.

This is of course to be grossly unfair to large numbers of Englishmen, men of goodwill who would like as much as any woman—and more than many women—to see the uneasiness removed from woman's equality; to see that "equality" become something more substantial than it is. As they look round their professions, these barristers, these doctors — these accountants — they can take varying degrees of consolation from the degree of emancipation

the women at their side have achieved. But it is consolation only, for the women are in a minority still, except as the quite invaluable typists and secretaries upon whom the men depend; and the man who is not content with the simple answer ("they're just not fitted for it, old boy: look how little they've done with forty years of the vote") may sometimes wonder how much he and his fellows are to blame.

There is perhaps something to be learned from the domestic pattern of contemporary English life. The accountant who has lived for eighteen years without full-time domestic service is probably familiar enough with domestic chores. It comes as a shock to him sometimes to hear what he at first dismisses as an anachronistic voice from the past talking of "women's work"—"never touch it, old boy; that's women's work." Closer enquiry may suggest to him that while the phrase "women's work" and all that underlies it is indeed an anachronism in his own walk of life, it is still not uncommon in what were once known as the working classes. If he is prepared to risk generalising from insufficient particulars he may wonder whether in fact his willingness to do his share of the washing up (he is not foolish enough to be eager about it) is not properly a mark of his education; whether the phrase "women's work" is not a badge of the incompletely civilised.

But if he is in any danger of becoming complacent he need do no more than look around him at the business world in which he spends most of his waking life. The parallel will doubtless hold: it is the more civilised types around him who accept women at their face value—or, if the joke is irresistible, at more than their face value. The barriers are going down; but even the young woman, educated to the same standard as her male contemporaries and brought up in an environment in which equality of the sexes is regarded as an accomplished fact, must choose her job with some care if she is to avoid the frustrations and the struggles of unfairly fettered ability.

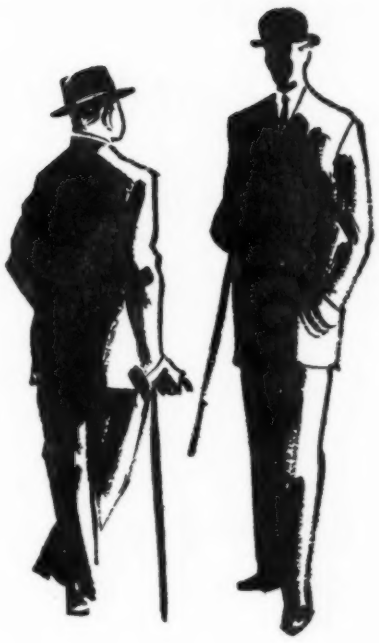
Whose fault is it all? It is easy enough to see how woman herself contributes to her own difficulties. The great majority of the girls who enter business each year intend to stay only pending matrimony, and the employer who wants to offer them a career is discouraged by the fabulously rapid turnover of his female staff. The weight of numbers of this pin-money multitude makes the whole topic top heavy: even girls who are capable of a career are influenced by it, and turn aside from the training that is necessary for most "masculine" jobs. The girls who persist, who work through the same strenuous paths as their male contemporaries, are decimated by marriage; and the survivors meet male distrust, or at best are left just a little outside the predominantly masculine interplay of personalities and interests, so that they find themselves eventually accused of being "difficult." "I'd always rather deal with a man than a woman, old boy. You never know where you are with a woman!"

Not the least of the difficulties is the equal preference of so many women for dealing with men: women are surely the worst enemies of women in all this business of emancipation. Men are not prepared to work under women, we are assured (despite all Civil Service experience); and women also have been known to dislike working under women. Again, it is easy to see why: authority sometimes does not sit well on a woman; she must bolster it with undue assertiveness; she can't be relaxed.

We cast our minds back over the dozen years since we and so many of the women were in uniform together. It was all curiously different in those days. Women weren't "difficult," they were good colleagues; was it only the uniform that made the difference? It is much more likely that the almost complete acceptance of women enabled them to be natural. Now, all civilians again, we ought to be able to recognise that the essential point is the distinction between occupations in which the status of women is established and settled and occupations in which for women to rise from the ranks of hewers of wood and drawers of water remains still a major enterprise.

"But after all a woman's place is the home, old boy." Here we are, back with the "women's work" argument. There is deeply implanted in most men an instinctive feeling that woman is at her best in the bosom of her own family, while her masculine man goes out to do battle with the world; and the question for the accountant who feels primeval stirrings of this kind is whether instinct is a good guide for civilised man. Instinct, after all, will also tell him on occasion to hit the man who annoys him. And whether or not the "instinctive" *apartheid* of women is a good thing, it is no longer practical politics. Our contemporary society cannot function without women in the factory, in the schoolroom, in business.

The complete integration of women into business and professional life is of course no simple matter, even given a breakdown of masculine prejudice. The *crèche* is not the best way of bringing up children; the home from which husband and wife both go out to daily work is one to which both women and men have yet to become properly adjusted. There are such things as physiology and psychology. Nobody knows yet whether women are in fact capable of all that men can do; there has yet to be a woman Prime Minister, a woman Lord Chancellor, even—in England—a woman bank manager. But these things may yet come, and the next half-century is likely to produce a variation in the pattern that will make their emergence even more complicated than we might expect. Demographic report has it that within a generation the balance of numbers, which for so long has given the community a body of surplus women, will be reversed. The change may well have fascinating results. Within the context of this article those results are likely to be beneficial; the idea that men can conceivably be left on the shelf must surely have an excellent disciplinary effect upon men in general. May it even be that in another hundred years the feminist will have been replaced by a so far inconceivable masculinist?



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Taxation

Overseas Trade Corporations

AN OVERSEAS TRADE CORPORATION (O.T.C.) is a company that is resident in the United Kingdom (U.K.) and either (i) carrying on a trade outside the U.K. or (ii) a principal company not itself carrying on a trade but having a subsidiary company that is an O.T.C. and is carrying on a trade outside the U.K. But (ii) is not to apply to a principal company where any company that is a subsidiary of that principal company is resident in the U.K. but is not an O.T.C. A company is resident in the country in which it is controlled (*De Beers Consolidated Mines* v. *Howe* (1906) A.C. 455). The fact that a company is registered in a particular country is a strong circumstance in concluding that the company is resident in that country (*Cesena Sulphur Co.* v. *Nicholson* (1876) 1 Ex. Div. 428). A subsidiary company is one in which another company owns more than 50 per cent. of the Ordinary share capital whether directly or indirectly. The terms "ownership" and "Ordinary share capital" have the same meaning as for profits tax.

Illustration (1)

(*a*) A. Ltd. is a company registered in the U.K., and control of it is exercised in the U.K. but it operates an estate in South Africa. A. Ltd. is an O.T.C.

(*b*) B. Ltd. is a company registered in the U.K., trading in the U.K. and abroad and with a subsidiary company (registered and resident in the U.K.) operating a mine in Peru. B. Ltd. is not an O.T.C., as it is carrying on a trade in the U.K. If B. Ltd.'s trading had been conducted entirely abroad, it would have ranked as an O.T.C. under (i) above. The subsidiary company is an O.T.C.

(*c*) C. Ltd. is a company registered in the U.K. and not carrying on a trade, and with a subsidiary company registered in France and trading therein. Unless control of the subsidiary company is exercised in the U.K., C. Ltd. is not an O.T.C., because its subsidiary is not an O.T.C., being resident abroad.

(*d*) D. Ltd. is a holding company registered in the U.K., not carrying on a trade, and whose only assets are the entire share capitals of E. Ltd. and F. Ltd. Both E. Ltd. and F. Ltd. are registered in the U.K. E. Ltd. trades within this country, F. Ltd. wholly abroad. D. Ltd. is not an O.T.C. because E. Ltd. is not and the proviso to (ii) above applies. F. Ltd. is an O.T.C.

Several Members of Parliament raised the point that providing the business conducted abroad is operated as a branch of the U.K. company relief can be obtained, but if the business abroad is owned by a company registered abroad which is a subsidiary of the U.K. company no relief is available. In the illustration above, (*c*) and (*d*) show the position where foreign companies are involved. The Chancellor of the Exchequer has indicated that any proposals submitted to him will be examined carefully but feels that fairly substantial difficulties will be found in drafting proposals to extend the provisions in the Bill to cover companies formed abroad. No doubt this matter will be thrashed out in committee.

The Bill provides that the Income Tax Acts are to apply in relation to any trade carried on by an O.T.C. as if it were being carried on wholly outside the U.K. by a person not resident in the U.K. But only trading income is to be so treated; investment income will be taxed in the normal manner and the provisions of the Bill have no effect thereon. The term "trade" includes every trade, manufacture, adventure or concern in the nature of trade. As a result of this Clause trading income of an O.T.C. is to be exempt from income tax. As the profits are not to be taxed, no relief for losses under the provisions of Section 341, Income Tax Act, 1952, and Section 15, Finance Act, 1953, can be claimed. Trading income is defined as "income arising to the O.T.C. from any trade carried on by it." Investment income is defined as "income arising to an O.T.C. from securities or other investments and any other income which does not fall to be included in its trading income." Any income arising from any description of property (including income assessed under Schedule A) not directly employed for the purposes of the trade of the O.T.C., and any income arising from the lending of money without security, cannot be treated as trading income. Any dividend paid out of exempt trading income by a subsidiary (which is an O.T.C.) to its principal company (which is an O.T.C.) will constitute trading income of the principal company.

The Bill provides that a company may qualify as an O.T.C. as from April 6, 1957. Apart from the transitional provisions, which apply for 1957/58, whether or not a company is an O.T.C. is to be determined annually for each year beginning April 6 in one calendar year and ending on April 5 in the next calendar year. The Bill lays down that:

(*a*) A company that remained in existence and resident in the U.K. throughout any such year shall qualify as an O.T.C. for that year only if it has the necessary qualifications throughout that year;

(*b*) A company that is formed or wound-up in the

course of any such year and which is resident in the U.K. from the date of formation until the next April 5 or from April 6 to date of winding-up shall qualify as an O.T.C., providing it has the necessary qualifications during the part of the year it is in existence; and

(*c*) A company that becomes, or ceases to be, a company resident in the U.K. in the course of any fiscal year qualifies as an O.T.C. for the part of the year during which it is resident in the U.K. providing it has the necessary qualifications throughout that period *and* in the remainder of the year it does not carry on any activities in the U.K. and no subsidiary company carries on any such activities.

Under transitional provisions a company may become an O.T.C. in 1957/58 at some date other than April 6, 1957. Such a company will be assessed to tax under Schedule D, Case I, for 1957/58 on that part of its profits for 1957/58 as the part of the year before the change bears to a full year; any loss incurred by the company in 1957/58 shall be apportioned in like manner and only that part apportioned to the part of the year before the change allowed as a loss; and a corresponding proportion of any capital allowances or balancing charges that would have been made under Parts X and XI of the Income Tax Act, 1952, if the company had not become an O.T.C. will be made.

Illustration (2)

A company becomes an O.T.C. on July 6, 1957. The adjusted profit shown by its accounts for the year ended December 31, 1956, was £9,600. For 1957–58 the capital allowances are £240 and there is a balancing charge of £60. As the company is not assessed for the last nine months of 1957/58, it cannot obtain relief for capital allowances in that period. The company will be assessed to tax in 1957/58 on:

	£
Profit, ¼ of £9,600	2,400
Balancing charge, ¼ of £60	15
	2,415
Less: Capital allowances, ¼ of £240	60
	2,355

Similar provisions are contained in the Eighth Schedule when a company becomes or ceases to be an O.T.C. (Hereunder the term "date of change" means a date on which a company, that was not an O.T.C., becomes an O.T.C. References to years of assessment beginning after a date of change include references to a year of assessment beginning with a date of change.) Briefly a relief in respect of any loss sustained in any period before the date of change cannot be carried forward under Section 15, Finance Act, 1953, and Section 342, Income Tax Act, 1952, and used to reduce any assessment for any year of assessment after the date of the change. Neither can capital allowances be carried forward under Section 323, Income Tax Act, 1952, or Section 20, Finance Act, 1954. Relief cannot be given to subvention payments under Section 20, Finance Act, 1953, where one of the companies is an O.T.C. Furthermore, relief for a terminal loss that arises in a period after the date of change cannot be given in any year of assessment before a date of change.

This article was written before the Committee stage of the Finance Bill had been completed; any necessary changes will be noted next month.

Later articles will deal with disqualifications preventing companies becoming O.T.C.'s and distributions out of exempt income of O.T.C.'s.

(*To be continued*)

Subvention Payments

THE WORD "SUBVENTION" means a grant of money in aid, or a subsidy. The following is a summary of the law concerning subvention payments (Section 20, Finance Act, 1953).

(1) The payments must be from one associated company to another, i.e. one must be a subsidiary of the other or both must be subsidiaries of a third company. A company is a subsidiary of another if that other beneficially owns (directly or indirectly) not less than 75 per cent. of the Ordinary share capital of the first company, Ordinary capital being as defined for profits tax purposes (see Section 42, Finance Act, 1938). Both Companies must be resident in the United Kingdom and carrying on a trade wholly or partly therein. An investment-holding company is deemed to carry on a trade for this purpose.

(2) The relationship of associated company must have existed throughout the accounting period in respect of which the payment is made and up to the time the payment is made. The payment must be made in or before the year of assessment following that in which the accounting period ends.

(3) The payment must be made as a result of an agreement providing for the paying company to bear or share in losses or a particular loss of the payee company. There must, there-

fore, be some evidence of an agreement; an exchange of letters would be sufficient but some consideration —however small—would be necessary, unless the agreement were under seal. A mutual pact to bear or contribute to each other's losses would do.

(4) The paying company is allowed to deduct the subvention payment (up to the limits mentioned below) as a trading expense (management expense in the case of an investment-holding company). The payee company must include the amount as a credit in computing profits and losses; in the case of an investment-holding company the receipt is assessable under Case VI.

(5) The payment is limited to the smaller of (i) the surplus of the paying company or (ii) the deficit of the payee company. The surplus or deficit is found by deducting (*b*) from (*a*), where:

(*a*) is the aggregate amount of (i) the actual profits of the accounting period as adjusted for Case I of Schedule D (before including any subvention payment), and (ii) of any other income for the *year of assessment* in which the period ends, computed on ordinary income tax rules; and

(*b*) is the aggregate amount of (i) any adjusted loss for the accounting period, (ii) capital allowances in respect of the trade for the year of assessment in which the accounting period ends (excluding allowances brought forward), and (iii) any annual payments made in that year of assessment.

If the period is more or less than a year (*a*) (ii), (*b*) (ii) and (*b*) (iii) are to be proportionately increased or reduced.

If a company makes subvention payments to more than one associated company, and these payments exceed its surplus, the payments are to be abated as may be agreed among all the companies concerned; in default of such agreement the Commissioners of Inland Revenue (C.I.R.) are to determine the abatement. If a subvention payment is made to a company in respect of more than one accounting period, or is made to or by a company carrying on more than one trade, the C.I.R. are to apportion the payment.

(6) If accounting periods do not coincide, the C.I.R. are to determine which period of the paying company is to be the corresponding period to that of the payee company. Adjustments are to be made to ensure just relief where a period forms the basis of two or more years (as in the opening years of a business) or of no year at all (as may happen in the penultimate year).

(7) A loss for which relief has been had under Section 341 is not available (Section 341 (5), Income Tax Act, 1952).

Illustration:

Company A has two subsidiaries, B and C. By agreement between them, A and C bear the whole of each other's losses, and A bears half of any losses of B. The C.I.R. have agreed that the actual accounting periods are deemed to correspond. The relevant details as set out in the Table I and the computation of the surplus deficit is shown in Table II.

Table I

	A	*B*	*C*
Year to	31/10/55	31/12/55	31/1/56
	£	£	£
Adjusted profit or *loss*	9,500	*2,140*	*1,890*
1955/56: Assessments under:			
Schedule A	200	—	180
Schedule D, Cases III—VI	—	250	—
Dividend received (gross) in 1955/56	500	300	—
Annual payments made in 1955/56	—	40	—
Capital allowances, 1955/56	920	560	390
Balancing charge, 1955/56	—	—	40

Table II

		A		*B*		*C*	
		£		£		£	
Profit or *loss* (accounting period)		9,500		*2,140*		*1,890*	
Schedule A (year of assessment)		200					180
Schedule D (Cases III—VI) (do.)				250			
Dividends received (year of assessment)		500		300			
Balancing charge (,, ,, ,,)							40
Capital allowances (,, ,, ,,)	920			560		390	
Annual payment (,, ,, ,,)				40			
	920	10,200		*2,740*	550	*2,280*	220
		920		550		220	
		£9,280		*£2,190*		*£2,060*	
Subvention payments: A to B				£1,095			
A to C						£2,060	
The adjusted profit or *loss* becomes:							
Original		9,500		*2,140*		*1,890*	
Subvention payments		3,155		1,095		2,060	
		£6,345		*£1,045*		£170	
Assessments, 1956/57		£6,345		Nil		£170	

The appropriate capital allowances must be deducted, and B can carry forward the available loss of £1,045.

Taxation Notes

Annual Payments and Earned Income
Anyone thinking of entering into a deed of covenant must now make sure he has enough unearned income to cover it, otherwise there will be a loss of earned income relief. This may be offset by surtax saved.

Illustration
A.'s income for 1957/58 is expected to be:

	£	s.	d.
Remuneration	4,500	0	0
Building society interest (B.S.I.)	100	0	0
	4,600	0	0
Deduct Loan interest ..	90	0	0
Income tax total income	4,510	0	0
Add: Tax on grossed B.S.I. $\frac{8\frac{1}{2}}{11\frac{1}{2}} \times £100$	73	18	3
Surtax total income ..	4,583	0	0

He asks advice about making a deed of covenant for £250 (net) per annum to his married daughter.
The effect would be as follows:

	£	s.	d.
Loan interest	90	0	0
Gross annuity under the covenant	434	15	8
	524	15	8
Deduct B.S.I.	100	0	0
Payable out of earned income	424	15	8
Loss of earned income relief 1/9th of £424 ..	47	0	0
Saving in surtax £424 at 4s. 6d.	95	8	0
Net saving in tax ..	48	8	0

He pays away £250, of course, to the daughter.

Were the deed to be made in favour of a charity, there would be no surtax saving, and the taxpayer would actually suffer £250+£47= £297.

Fewer Collectors' Offices
In the interests of economy and efficiency, the Board of Inland Revenue has decided to close 57 of the 325 local offices maintained by the Collectors of Taxes, and to merge the areas covered by those offices with others. This was stated by the Financial Secretary to the Treasury in reply to a question in Parliament. He said there would be an ultimate saving of about £60,000 in salary costs alone.

Landlords and Schedule A
Tax under Schedule A is normally charged on and paid by the occupier for the time being. He can then deduct the tax (not exceeding tax at the standard rate on the year's rent) from the next payment of rent. Where the amount deductible exceeds the next payment of rent due, he can claim to defer payment of the excess until April 1, so as to permit its deduction from the next following payment of rent.

However, the landlord is to be assessed direct:

(*a*) In respect of any dwelling house occupied by a tenant which (including the buildings or offices belonging thereto and the land occupied therewith) is of smaller annual value than £10;

(*b*) In respect of lands and tenements let for a period less than one year;

(*c*) In respect of any house or building let in different apartments or tenements and occupied by two or more persons severally—any such house or building is to be assessed as one entire house or tenement;

(*d*) Where he so requests and the Commissioners of Inland Revenue think fit to agree to the request.

In default of payment by the landlord, the tax may be collected from any occupier who can then deduct from any subsequent payment of rent.

In *Vise* v. *Gatehouse* (1957) T.R. 65 (see also this issue, page 310) five flats covered the first floor of a building, the ground floor being divided into four garages. The only means of access to the flats was from the street by either of two common staircases and along a balcony on to which the door of each flat opened. The landlord was responsible for repairs to the balcony and staircases and the wall lights that lighted them.

The occupier of one flat held it on a lease for 22¼ years less the last three days, having paid £2,750 premium for the lease. His rent was £1 a year, the net annual value of the flat was £201. It was held in the Court of Appeal (affirming the decision of the lower Court) that the building was let in different apartments or tenements and the assessment was properly made on the landlord.

Clause 15 of the Finance Bill, 1957, is the result of the case. It allows assessment on the tenant in similar circumstances and will enable the landlord of a house or building divided into distinct parts in separate occupation—for example, self-contained flats—to elect that the occupier of any distinct part who has any beneficial occupation shall be assessed under Schedule A, provided the letting is for a year or more. The landlord will still remain assessable on a letting for less than a year. Beneficial occupation arises if no rent is payable *or* the rent is less than the net annual value.

The clause deals only with the landlord of the entire house or building, not a person who is landlord of part. If there is no beneficial occupation, the landlord will still be assessed direct. Moreover, the landlord remains assessable in respect of any part of the house or building not treated as a distinct house or building.

Surtax and *Cum* Dividend Purchases
If a stock or share is bought *cum* dividend, the price includes the accrued dividend, which has therefore been paid for in the price of the share. Nevertheless, the whole dividend received is income of the recipient for income tax purposes, including surtax. It is to meet the hardship that might ensue for surtax that Section 239, Income Tax Act, 1952, has effect.

Under that Section, either when he makes his return of income or within the time limit for appealing against the surtax assessment, the taxpayer involved may claim relief. He has to show that the surtax payable by him

for the year of assessment in question exceeds by more than ten per cent. the amount of surtax that he would have had to pay had he brought into account the income that would have accrued on a day-to-day basis while he held the asset. If he can show that, then the accrued income only is brought in.

These points should be noted:

(1) The income from all assets bought or otherwise acquired and from all assets sold or transferred by him must be included, not merely any one asset.

(2) The word "assets" is not defined for this purpose.

(3) The income is deemed to have been received as it accrued, so the result of spreading may put some of the income back into a previous period to be taxed at the rates then appropriate. Any tax so calculated reduces the reduction in the surtax of the current year.

(4) The Section does not apply to income directed under Section 245. (*Troy Securities* v. *C.I.R.*, 1942, 24 T.C. 185).

(5) The accrual is to be computed thus (Section 240):

(*a*) If payable in respect of a stated period, as if it accrued during that period;

(*b*) If not payable in respect of a stated period, as if it accrued during (i) the period of twelve months next preceding the date the income was declared payable, or (ii) during the period between the last previous declaration of a dividend (not being an interim dividend in respect of a stated period), payment of interest or other yield or produce of the asset and the date the income was declared payable, whichever period is the shorter.

(6) The relief is not dependent on the asset being acquired in the year of claim; it may have been acquired in an earlier year. What matters is the receipt of pre-acquisition income after acquisition.

Illustration

A.'s total income for surtax, 1955/56, was £8,000. For 1954/55 it was £5,000. The 1955/56 income included:

(*a*) Interest on £10,000 3½ per cent. War Loan bought April 6, 1955.

(*b*) Dividend of 11¼ per cent. free of tax paid November 30, 1955, in respect of the year ended June 30, 1955, on 4,000 ordinary shares of £1 each in XTR Ltd. bought January 31, 1955.

On January 31, 1956, A. gave away 1,000 6 per cent. £1 Preference shares (then *cum* div.) on which a dividend for the half year to December 31, 1955, was paid on March 31, 1956. These shares had been held for some years.

Probable Relief (ignoring fractions of months)

	£	£	£ s. d.	*Surtax* £ s. d.
1955/56 Total Income		8,000		1,437 10 0
Deduct:				
Interest on War Loan, 2.12.54—5.4.55, say	117			
Dividend XTR Ltd. 1.7.54—5.4.55 say 3/4ths of £800	600			
	—	717		
		7,283		
Add:				
Preference dividend 1.7.55—31.1.56 7/12ths of £60		35		
		£7,318		1,215 17 0
				221 13 0
1954/55 Total Income		5,000	512 10 0	
Add:				
Ordinary dividend 1.2.55—5.4.55 2/12ths of £800		133	36 11 6	36 11 6
		£5,133	£549 1 6	
Relief 1955/56				£185 1 6

Surtax Directions

The practice of the Special Commissioners in reviewing the reasonableness of distributions is to look at the appropriation account as it should be looked at by the directors in deciding on dividend policy.

Illustration

The profit and loss appropriation account for the year ended December 31, 1956, is as follows:

	£		£
Depreciation	1,100	Trading profits (before depreciation)	18,500
Profits tax	1,910		
Income tax on the year's profits	7,565	Balance, brought forward	7,200
Dividend (net)	2,875		
Balance, carried forward	13,150	Taxation over-provided in previous year	900
	26,600		26,600

The Special Commissioners would look at:

	£
Trading profits	18,500
Taxation over-provided ..	900
	19,400
Depreciation and taxation ..	10,575
Amount available	8,825

If there did not appear to be justification for distributing only £2,875 of the £8,825, they would suggest a larger part of the £8,825 as desirable.

Other things being equal, it is likely that the dividend declared in the illustration would be accepted as adequate.

Married Infant Daughters

A wife's income is deemed for income tax purposes to be that of her husband. He is responsible for the payment of any tax thereon, unless separate assessments are claimed. In circumstances such as the following ones the position in the year of marriage requires watching. At the commencement of 1957/58 (the year of marriage) a girl is at a university and under twenty-one years of age. Her father claims and receives the child allowance of £150. On her marriage the girl leaves the university and, becoming employed, earns not more than £100 in 1957/58. The child allowance given to the father will not

be withdrawn as the wife does not "receive in her own right" an income in excess of £100 in the year. But if she earns more than £100 in the year, the child allowance would be withdrawn. Her income is "deemed" to be her husband's for the purposes only of charging income tax, but it is still income in her own right.

"Taxation Key"

The Budget edition (the 43rd) of the "*Taxation*" *Key to Income Tax and Surtax*, edited by Ronald Staples and published by *Taxation* Publishing Co. Ltd., has now been issued (price 10s. net). The fact that two editions of this well-known handbook are published each year, one after the Budget and one after the Finance Act, is sufficient evidence of the popularity of the work. In paper covers, it is light to carry in a brief case and the automatic thumb index enables very rapid reference to be made to the subject matter under enquiry. A section is included giving the differences between the United Kingdom and Eire assessments affecting United Kingdom income. Tests made show that the information is thoroughly dependable. The tables for grossing up dividends at 8s. 6d. in the £; giving tax on every £ at reduced rates; giving the tax at 8s. 6d. in the £ in single £'s up to £150 and thereafter by useful stages up to £5,000 and those showing 2/9ths of earned income up to £4,005 will be found very useful in practice. The booklet contains practical examples to show the working of various reliefs, etc. A full schedule of wear and tear rates is included. The booklet can be recommended with confidence.

Old Age Relief

The new limit on total income of £700 instead of £600 for old age relief means that where the income is all unearned, marginal relief is available on an income less than £1,079 for a single person and an income not exceeding £1,051 for a married man, as follows.

Where there is earned income each case must be calculated individually.

Single Person

	With Marginal Relief		*Without Marginal Relief*
Unearned income	£1,079		£1,079
Margin	379		
	700		
Age relief 2/9ths	156		
Personal	140		140
	296		
	404		939
First £360	£93 0 0	£360	£93 0 0
Balance at 8/6 £44	18 14 0	£579	246 1 6
	111 14 0		
3/5ths Margin	227 8 0		
	£339 2 0		£339 1 6

Married Man

Unearned income	£1,051		£1,051
Margin	351		
	700		
Age relief	156		
Personal	240		240
	396		
	304		811
£60 at 2/3	6 15 0	First £360	93 0 0
150 at 4/9	35 12 6	at 8/6 £451	191 13 6
94 at 6/9	31 14 6		
Margin £351 × 3/5ths	210 12 0		
	£284 14 0		£284 13 6

Investment Allowance on Fuel Saving Plant

Expenditure incurred after February 17, 1956, on prescribed fuel-saving plant installed by way of modification or replacement of plant attracts the investment allowance by Section 15 (3) (*b*) of the Finance Act, 1956, and the Investment Allowances (Fuel Economy Plant) Order, 1956 (see ACCOUNTANCY for October, 1956, page 404). To the list of fuel-saving plant prescribed by the Order of last year, other items are now added. These additional items are: oil drip feeders; flash steam vessels; piping, ducts, and fans; fuel meters; heat pumps; and capacitors.

The new items are added by the Investment Allowances (Fuel Economy Plant) Order, 1957 (Statutory Instrument No. 938 of 1957) which sets out the conditions and contains in a schedule a comprehensive list of the plant prescribed under both Orders.

Child Allowance—New Income Limit

The Opposition sought to introduce a new Clause enabling the child allowance to be claimed when a child is entitled in his own right to an income of between £85 and £170 a year, if no more than £85 of his income is unearned. The relief would be reduced by tax on £1 for every £1 by which the child's earned income exceeded £85. A Conservative member suggested an amendment to this proposal, whereby the limit of the child's income should be raised from £85 to £100, and the proposition was accepted by the Chancellor. Therefore, in sub-Section (4) of Section 212, Income Tax Act, 1952, as amended, the sum of £100 is to be substituted for £85.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Agency—Foreign company with English subsidiary—Manufacture of goods in England by subsidiary upon behalf of principal company and sale to foreign purchaser upon behalf of principal company—Whether English subsidiary assessable as agent of principal company—Income Tax Act, 1952, Section 369.

Firestone Tyre and Rubber Co. Ltd. v. Llewellin (House of Lords, February 14, 1957, T.R. 19) was the subject of an extended note in our issue of January, 1956 (page 20), and of a brief one in our issue of June, 1956 (page 231). In the latter note the opinion was expressed that in agency cases the line dividing liability from non-liability was so fine as to detract from the importance of the case as a test one. This opinion must, however, be revised in the light of the speech of Lord Radcliffe in the House of Lords, with which Lords Tucker and Cohen found themselves in agreement. There was a remarkable unanimity of opinion in the case—Special Commissioners, Harman, J., the Court of Appeal and the House of Lords being all in complete agreement that the Crown was entitled to succeed in its claim that the American company was trading in the United Kingdom through the appellant company as its regular agent. In effect there has been unequivocal endorsement of the opinion of Atkin, L.J., as he then was, expressed during the course of his judgment in *Smidth* v. *Greenwood* (1930–32, 8 T.C. 193; 1922, 1 A.C. 417):

> The contracts in this case were made abroad. But I am not prepared to hold that this test is decisive. I can imagine cases where the contract of re-sale is made abroad and yet the manufacture of the goods, some negotiation of the terms and complete execution of the contract take place here under such circumstances that the trade was in truth exercised here.

To recapitulate some of the facts in the case: the appellant company, The Firestone Tyre and Rubber Co. Ltd. (referred to as "Brentford") was an English company, incorporated in 1922, which had its factory and offices at Brentford, Middlesex. There, it carried on the trade of manufacturing and selling Firestone tyres in this country. In respect of this trade it was for tax purposes treated as an ordinary English company, and its liability in respect of the profits of that trade was not disputed. This, however, was not the whole of its business during the relevant years. Brentford was a wholly-owned subsidiary of The Firestone Tyre and Rubber Co. Inc. (referred to as "Akron"), a corporation established in the United States and having its headquarters at Akron, Ohio. Quoting from the case stated by the Special Commissioners:

> Akron . . . is the head of a world-wide organisation consisting of a large group of corporations operating in America and in various parts of the world. Some of its associated and subsidiary corporations manufacture and sell tyres in the countries in which they are registered, and others sell, in the countries in which they are registered, tyres which have been manufactured in America or by subsidiary corporations in other countries.

The company for which it was contended that Brentford was assessable as agent was The Firestone Tire and Rubber Export Co. Inc., of Akron, itself a subsidiary of the parent company; and, the point being apparently regarded as immaterial, the word "Akron" seems to have been used throughout the case as applying equally to the parent company and to its American subsidiary. In addition to the English trade above-mentioned, Brentford had during the relevant years sold tyres to the Continent of Europe, and it was in respect of this business that the issue had arisen. The distribution of Firestone products outside of the United States was conducted by Akron through distributors under distributor agreements — "master agreements" — whereby the distributors had to conform to the conditions laid down by Akron. Their substance was that a distributor had to promote the sales in his area of Firestone products, to keep adequate stocks and neither to sell any competing products nor to depart from the Akron price list. In addition, however, to entering into these distributor agreements, Akron had established controlled manufacturing companies of which Brentford was one, their function, set out in other "master agreements," being to make Firestone tyres according to strict directions and specifications and to dispose of them subject to the terms imposed by Akron. One of the distributor agreements was between Akron and a Swedish company (referred to as "Sweden"), and for the purposes of the case this agreement was regarded as typical.

Akron supplied its distributors with lists of the manufacturers of Firestone products who would fulfil their orders, Brentford being one of them. Between Akron and Brentford there was an agreement whereby, as found by the Special Commissioners:

> Brentford agreed to hold goods of its own at the disposal of Akron and to sell the same on Akron's behalf to customers approved of by Akron and subject to terms imposed by Akron; and, further, to account to Akron for the proceeds of the sales less the cost of the goods sold plus 5 per cent.

On this footing, seeing that the 5 per cent had to cover freights, unless the Crown could establish either that the trade with Sweden was carried on by Brentford upon its own behalf as part of its business or, alternatively, that Akron was carrying on that trade through Brentford as its regular agent, there would be little if any United Kingdom tax payable, although, as Harman, J., had remarked in his judgment:

> the tyres are made here, the tyres are sold here and delivered to the purchaser here, the price is received here.

The Crown had caused alternative assessments to be made for the relevant years; but, whilst the Special Commissioners had held that the trade in question was not Brentford's trade—a finding which for the reason stated by Harman, J., was not challenged in the higher Courts—they had upheld the agency assessments. Whether or not a trade is carried on in the United Kingdom is a question of fact. Lord Radcliffe, in his speech, pointed out that the weight of the appellant's arguments rested upon the legal proposition that the place at or in which the goods merchanted were "sold" determined in law where the merchanting trade was exercised. It was contended, he said, that the sales in question were made outside of the United Kingdom because of the master agreement between Akron and Sweden out of which the orders to Brentford from Akron arose or, alternatively, because the orders originating from Sweden brought about American-Swedish sales despite the part played by Brentford. As to this, Lord Morton of Henryton said that he

entirely accepted the language of Jenkins, L.J., in the Court of Appeal wherein he rejected the contentions that the sales were made other than in the United Kingdom. Lord Radcliffe, however, went further. Whilst he agreed that the law required great importance to be attached to the place of sale in the case of a merchanting business—a test which under modern conditions, he said, was "capable of proving a somewhat ingenuous one"—it was not conclusive, and would not be the determining factor if there were other circumstances of greater importance or unless there were no other circumstances which could be. He held that, within wide limits, the question whether a trade was exercised within the United Kingdom remained a question of fact for the Commissioners; and he approved the stress laid by Harman, J., and the Master of the Rolls upon the observations of Atkin, L.J. above-mentioned. Reviewing the operations, he held that they constituted the exercising of a trade in England; but there was a note of reserve in his further observations which will not go unnoticed:

> The Special Commissioners thought that it was Akron's trade, not Brentford's; and I do not see why we should disagree with them.

The result of the case would seem to be a victory for commonsense. Nevertheless, bearing in mind the above remarks of Lord Radcliffe, it would seem to be by no means certain that, had the matter been pursued, it would not have been ultimately found that the trade in question was Brentford's. Whether, in such circumstances the present income tax provisions might prove inadequate is another question.

Income Tax

Ordinary residence — Government securities issued free of tax so long as beneficially owned by persons not ordinarily resident in the United Kingdom—Income Tax Act, 1918, Section 46—Finance Act, 1924, Section 27.

Miesagaes v. C.I.R. (Ch. February 27, 1957, T.R. 39) was a case arising out of the financial necessities of the British Government in the first World War. In order to obtain foreign subscriptions, certain issues of government securities were made with the condition that they were to be free of United Kingdom income tax and surtax so long as it was shown that the said securities were in the beneficial ownership of persons not ordinarily resident in the United Kingdom. The relevant enactments became Section 46 in the consolidating Act of 1918. The appellant in the case had come to the United Kingdom with his father on August 26, 1939, when he was six years of age, and had remained here until March, 1946. During that period, by a war-time concession, both his father and he had been treated as not ordinarily resident in the United Kingdom although at the appeal before the Special Commissioners it was not admitted that the exemption was so dependent. In March, 1946, the appellant's father had gone to live in Switzerland for health reasons and with the intention of permanent residence. The appellant was then at school in England and had so remained until July, 1951. The Special Commissioners, hearing the appeal under Section 27 of Finance Act, 1924, had held that for the years 1947/48 to 1951/52 inclusive he was ordinarily resident in the United Kingdom and was not entitled to exemption from tax under Section 46. Wynn-Parry, J., held that their decision was correct. The test to apply had, he said, been conveniently stated by Lord Warrington in *Lysaght* v. *C.I.R.* (1928, A.C. 234; 7 A.T.C. 69; 13 T.C. 511), where he had declared it to be settled by authority that the question of residence or ordinary residence was one of degree with no technical or special meaning for income tax purposes and that a decision of the Commissioners was a finding of fact, which could not be reviewed unless based on some error in law, including absence of evidence on which a decision could properly be founded. He also quoted from the speeches in the *Lysaght* case by Lords Sumner and Buckmaster and then read a passage in the judgment of Rand, J., in *Thomson* v. *Canadian Minister of National Revenue* (1946, 209 S.C.R. 224), which he said he regarded as accurately reflecting the view of the English courts on the question of what is meant by "ordinarily resident," particularly the last paragraph of the passage:

> The expression "ordinarily resident" carries a restricted significance and, although the first impression seems to be that of preponderance in time, the decisions on the English Act reject that view. It is held to mean residence in the course of the customary mode of life of the person concerned, and it is contrasted with special or occasional or casual residence. The general mode of life is, therefore, relevant to a question of its application.

Contrasting "residence" with "domicile," where the domicile of the infant depended upon the steps taken by his father, he held that on the facts of the case the Special Commissioners were amply justified in treating the period which the appellant spent at school in this country as one of "ordinary residence."

Whilst the principles governing questions of "residence" and "ordinary residence" as laid down in the courts would seem to be simple enough in themselves, the difficulty of applying them to the different facts of each particular case still remains: and in the *Lysaght* case there were considerable differences of judicial opinion. Lord Sumner declared that the meaning of the term "residence" was what it meant in the speech of the "plain man" and that the question remained whether on the facts of that case there was residence in the "plain sense." As to this, it is to be noted that even Lord Warrington, whilst upholding the decision of the Commissioners in favour of the Crown, concluded: "I cannot say that there was no evidence on which the Commissioners could properly arrive at their conclusion though I am not sure I should have taken the same view."

Upon the assumption that Lord Sumner's "plain man" had the degree of commonsense which is supposed to be his special characteristic, it is difficult to imagine his arriving at the same conclusion on the facts of the *Lysaght* case as that of the House of Lords. The decision in the present case would doubtless meet with his approval.

Income Tax

Schedule A—Building consisting of garages and flats held on lease by company—Sub-leases of flats granted in consideration of premiums and nominal rents—Common staircase and balcony—Whether assessment to be made on occupier or landlord—Income Tax Act, 1918, Schedule A, No. VII, Rules 8, 12—House Tax Act, 1808, Schedule B, Rule 14.

In our issue of March last (page 134) the writer pointed out that, whilst not questioning the correctness of the decision of Danckwerts, J., in **Vise v. Gatehouse** (Ch. March 22, 1957,T.R. 65) the history of the enactments under consideration as given to the Court by counsel did not correspond with the facts. In the Court of Appeal there was unanimity that the decision was correct. Where sub-leases of self-contained flats in a leasehold building had been granted for periods of over twenty years in consideration of large premiums and nominal rents, as in the case before them, their Lordships agreed

that assessments under Schedule A had to be made in one sum upon the landlord under Rule 8 (*c*) of No. VII of Schedule A, Income Tax Act, 1918, and not by way of separate assessments upon each sub-lessee under Rule 12 of the same set of Rules. Rule 8 (*c*) reads:

> The assessment and charge shall be made upon the landlord in respect of . . . (*c*) any house or building let in different apartments or tenements and occupied by two or more persons severally. Any such house or building shall be assessed and charged as one entire house or tenement.

whilst Rule 12 is:

> Where a house is divided into distinct properties and occupied by distinct owners or their respective tenants, such properties shall be separately assessed and charged on the respective occupiers thereof.

As was recognised throughout the case, the two Rules had quite distinct origins and had been brought together in the same set of Rules only by the consolidating Income Tax Act of 1918. The case for Mr. Gatehouse was succinctly summed up by Sellers, L.J., in the course of his judgment:

> The assessment of £201 as the annual value of the premises is in fact based on the terms of the lease. Although the rent is only £1 annually the landlord has had £2,750 at the commencement of a tenancy for twenty-two years. . . . Its effect seems to be that the landlord enjoys the benefit of part of the annual value appropriated to any "distinct property" and has the bulk of the benefit in advance. If Rule 12 can be invoked, it would work harshly against the tenant, for although he has paid £2,750 to the landlord, he only has £1 rents annually from which to deduct the tax in the manner provided by the tax law.

The apparent injustice of the position under Rule 12 as disclosed above disappears altogether if, as should have been the case, Mr. Gatehouse and the four other sub-lessees similarly situated had been adequately advised prior to the signing of the leases. Whatever we may think of the premium system, short of its complete prohibition, it was manifestly undesirable that the rule applicable to houses or buildings let in different apartments or tenements in consideration of the payment of premiums should be different from that applicable where the house or building was let to a single tenant and upon a lease of similar character. Lord Goddard and Jenkins, L.J., both pointed out the need for early legislation and the Revenue, always prompt in repairs to its machine, has dealt with the matter in Clause 15 of the present Finance Bill, which reads as follows:

> Where a distinct part of a house or building is separately occupied by a tenant of the landlord of the entire house or building . . . then . . . that part may be treated as a distinct house or building and shall be so treated if on an appeal by the landlord against an assessment made on him it is shown that the tenant holds that part from the landlord under a letting for a year or more rent free or at a rent less than the amount (as reduced for purposes of collection) of the assessment which would be made on the tenant in respect of that part.

By a proviso, the landlord is to remain chargeable under Section 109 (i) (*c*) of the Income Tax Act, 1952, which corresponds to the previous Rule 8 (*c*) in respect of any part of the house or building not treated as a distinct house or building. The evident intention is to reverse the decision in the case but, if possible, to avoid other consequences. Without expressing any opinion upon the point, the writer presumes that the draftsman satisfied himself that the existing machinery of assessment is adequate to implement the Clause after enactment.

In the Court of Appeal, all three judges drew attention to a defect in the legal system, one to which the present writer has drawn attention from time to time. The case was between the tenant of a flat and the Inspector. The landlord was not heard and could not be; and although when assessed he could raise the whole matter afresh he could not but be prejudiced by the result of the case. More often, it is the Revenue which is prejudiced, for example, when both the parties are private persons and decisions are made without the Court having had the benefit of hearing what Crown Counsel has to say. In some such cases, the difficulty has been got over by the Court inviting the Crown to assist it in the capicity of *amicus curiae*. There is, however, a real danger of bad decisions where in difficult cases the Court has not had the advantage of hearing skilled argument upon behalf of all the interested parties who would wish to be heard. The question as to what was the real original purpose in 1806 of what became Rule 12 remained unanswered.*

*The writer would suggest that the origin of the Rule may well have been the very strange tenures by which in 1806 legal chambers were often held. Whilst fines on renewals of leases—the precursors of the modern "premiums"—were apparently then the norm, this was but one of the features. In Gray's Inn, and probably in the other Inns, there were most remarkable variations in conditions of tenure and some at least of the tenants were recognised as having proprietary rights in their chambers. In one of the records of Gray's Inn the term applied throughout when referring to the tenants collectively is "the proprietors." A little research would in all probability clear up the point which is now, however, but academic.

Income Tax

Builder—Houses built and additional houses purchased—Intention—Houses let and not sold in pre-war years—Purchase of further additional houses during war years—Reversal of policy of letting in favour of sale—Profits on sales—Whether arising from trade—Income Tax Act, 1952, Schedule D, Case 1.

Mitchell Brothers *v.* Tomlinson (C.A. March 18, 1957, T.R. 63) was noted in our issue of March last (page 133). It was the case of enterprising brothers who had added to their original business of window-cleaning that of dealing in Army surplus stores and other goods. What they disputed was that in the course of carrying out what may be described in neutral terms as a policy of active investment in house property they had done other than set up "an investment fund for their old age." Unfortunately for them, the General Commissioners had upheld the Revenue submission that, on the facts, to the businesses admittedly carried on they had added that of property-dealing, with the result that the considerable profits which had resulted were liable to tax. Danckwerts, J., had upheld the Commissioners' decision, holding that there were ample facts upon which they could find that an original intention of investment in house property, which would not have given rise to tax liability, had been abandoned in favour of an intention to take advantage of the profit-making opportunities that existed after the end of the late war. In the Court of Appeal, his decision was unanimously affirmed. Lord Goddard described the appeal as "perfectly hopeless" and said the only possible conclusion which the Commissioners could have come to was that the appellants were property-dealers. Any finding to the contrary would have been perverse. The unequivocal attitude of the Court in the case will bring cold comfort to a very great number of "investors" in house property.

Profits Tax

Directors' remuneration—English company—Shares registered in names of directors less than controlling interest—Controlling interest held by Danish company—Controlling interest in Danish company held by director of English company—Whether controlling interest in English company held by its directors—Finance Act, 1937, Schedule IV, paragraph 11.

In **S. Berendsen Ltd. *v.* C.I.R.** (Ch.

February 6, 1957, T.R. 3) the issue was whether an English company was director-controlled within the meaning of Finance Act, 1937, Schedule IV, paragraph 11, and the result showed what an artificial legal position has been created in the Courts. The capital of the company, which was incorporated in 1912 and carried on the business of agricultural machinery merchants, consisted of 1,000 shares of £5 each held on the register as follows:

Ludwig Elsass (Director)	300 shares	Nominee of Danish company
Sophia Berendsen A/s (Danish company)	590 ,,	Beneficial owner
P. L. Burgin (Director)	1 ,,	Nominee
E. Hertel (Director)	100 ,,	Beneficial owner
A. Elsass	9 ,,	Nominee
	1,000	

Ludwig Elsass, however, held 395 out of the 600 issued shares of the Danish company and, although only a nominee shareholder in the English company, clearly had factual control of both companies although he and his co-directors held only 401 shares. The Special Commissioners had decided in favour of the Crown; but Wynn-Parry, J., reversed their decision.

In 1941, two cases relating to the National Defence Contribution, as the tax was then called, came before the Courts. In *British-American Tobacco Co. Ltd.* v. *C.I.R.* (1943, A.C. 335, 20 A.T.C. 45; 29 T.C. 49), the question was whether, under the provisions of the Finance Act, 1937, Fourth Schedule, paragraph 7 (*b*) as originally enacted, the appellant company had a controlling interest in eleven foreign companies not liable to the tax where it had indirectly factual control although not direct voting control. The House of Lords, confirming decisions by the Special Commissioners and the lower Courts, had decided in favour of the Crown, holding that the question was one of fact. Viscount Simon, giving the decision of the House, said in the course of his speech:

> The word "interest" . . . is a word of wide connotation, and I think the conception of "controlling interest" may well cover the relationship of one company towards another, the requisite majority of whose shares are, as regards their voting power, subject whether directly or indirectly to the will and ordering of the first-mentioned company.

The other case was *F. A. Clarke and Son Ltd.* v. *C.I.R.* There, the question was not whether one company had a controlling interest in another but whether under different paragraphs of the Fourth Schedule, Nos. 4 and 11, the directors of the company had a controlling interest in it. The relevant accounting period was one commencing on April 1, 1937, and ending on December 31, 1937; and at all material times there were only two directors. Voting control of the Clarke company lay with the owners of a block of Preference shares owned beneficially by a private investment company of which the two Clarke directors were sole directors and in which they held all the issued shares. They were the registered holders of the shares until, on December 23, 1937, shortly before the end of the relevant accounting period, the investment company was registered as owner. The Special Commissioners had held that until December 23, 1937, the Clarke directors were bare trustees who had to vote as directed by the investment company. Thereafter, voting control was exercised by the latter. In these circumstances, the Special Commissioners had held that the Clarke company was not director-controlled in either of the two periods. Lawrence, J., reversed their decision and his judgment was approved in the Court of Appeal, where Scott, L.J., giving the only judgment, held that "controlling interest" meant the same in paragraph 7 as it did in paragraphs 4 and 11 and contemplated a control in fact. The case, unlike that of the *British-American Tobacco Co.*, was not carried to the House of Lords.

About three years later, the question whether the directors of a company had a controlling interest again came before the Courts in *J. Bibby and Sons Ltd.* v. *C.I.R.* (1944, 1 All E.R. 548; 24 A.T.C. 70; 29 T.C. 167). There, it was to the company's interest for such control to exist and the issue depended upon whether shares registered in the names of three directors, but held by them as trustees of a marriage settlement in which they had a remote interest, should be taken into account. It was ultimately held in the House of Lords that the question of beneficial interest did not enter into the matter. Subject to the memorandum and articles of the company, it was held that the issue was decided by the power to control votes in general meeting and was determined by the entries in the register of shareholders. Lord Greene, M.R., giving the decision of the Court of Appeal, had excepted the case of the bare trustee; but four out of five of the Lords of Appeal expressly reserved this point whilst the fifth, Lord Macmillan, did not refer to it. In the next case, *C.I.R.* v. *Silverts Ltd.* (1951, 30 A.T.C. 26; 29 T.C. 491), the voting shares of a company consisted of 6,000 A shares of £1 and the same number of B shares with equal voting rights. In case of equal voting the matter was to be decided by arbitration. The managing director of the company held and was registered as the holder of all the B shares, whilst all the A shares were subject to the trusts of a settlement dated June 27, 1940. The chargeable period was from January 1, 1947, to December 31, 1947. Up to June 27, 1940, the whole of the A shares had belonged in equity to a Mr. Ross, but were registered in the names of two of the directors of the company who had each made a declaration of trust in respect of them. Under the settlement, the National Provincial Bank was appointed "custodian trustee" with powers prescribed by Section 4 of the Public Trustee Act, 1900. On December 16,1940, the shares had been transferred into the name of the bank; but the two directors were to remain as "managing trustees," that is, with all but the limited powers of a "custodian trustee." In the end, the Court of Appeal, reversing the decision of Romer, J., and rejecting the Crown's argument, held that the bank as custodian trustee was not a mere nominee or bare trustee, with the result that the *Bibby* decision applied and the company was held not to be director-controlled, the register of members being regarded as conclusive.

In the present case, Wynn-Parry, J., after a long and careful analysis of the cases outlined above, said it was "perhaps not an easy task for a judge of first instance" to decide how to deal with it in view of the conflicting decisions of the Court of Appeal in the *Clarke* and *Silverts* cases. The conclusion he came to was that the doctrine of the company's register being the sole test had not been developed at the time of the former as it had been by the House of Lords in *Bibby*. He concluded that he had to follow *Silverts*' case and hold that the register ought to be treated as conclusive and that he ought not to go beyond it. The present writer, whilst agreeing that the *Bibby* decision applied inasmuch as the directors held only 401 shares out of 1,000, even if all the shares held by them were reckoned, finds it difficult to see how the *Silverts* decision with its special fact applies to the facts of this case.

Tax Cases—Advance Notes

HOUSE OF LORDS (Lords Morton of Henryton, Reid, Radcliffe, Cohen and Keith of Avonholm).

National Coal Board *v.* C.I.R. May 29, 1957.

The facts in this case were set out in the February issue of ACCOUNTANCY (page 73).

Their Lordships unanimously upheld the decision of the Court of Appeal in favour of the Crown and decided that the houses in question did not fall within the proviso to Section 8 (3) of the Income Tax Act, 1945: "a building or structure . . . likely to have little or no value to the person carrying on the trade when the mine, oil well or other source or the plantation is no longer worked."

Lord Radcliffe observed that the word "when" had to be construed in the context of the legislation. The general rule was to be that capital expenditure on dwelling-houses was not to rank as industrial expenditure (and so qualify for an allowance) unless they were so intimately connected with the enterprise, by character, situation, etc., that they could not be expected to have any value apart from their contribution to the conduct of the enterprise. The use of "when" referred to the circumstance of the mine ceasing to work, whenever that might be, not to the date, necessarily unknown, when that circumstance would occur.

COURT OF APPEAL (Lord Evershed, M.R., Morris and Pearce, L.JJ.)

C.I.R. *v.* Pollock & Peel Ltd. (in liquidation). May 24, 1957.

The Court of Appeal unanimously dismissed the Crown's appeal from the decision of Upjohn, J.

Mr. and Mrs. Pollock were the sole shareholders of Pollock & Peel Ltd., the issued share capital of which was 2,004 shares of £1 each. In 1952, £28,056 of profits were capitalised and the issued share capital was increased to 30,060 shares of £1 each. In 1953 the company went into voluntary liquidation. A new company bearing the same name, with the same shareholders, was incorporated.

The liquidator of the old company sold the assets of the old company less £15,030 to the new company in return for 30,060 shares of £1 each in the new company. The liquidator of the old company paid the £15,030 to Mr. and Mrs. Pollock. The two companies jointly made an election under the Finance Act, 1947, Section 36 (4). The question for decision was whether the excess of £15,030 over the original share capital of £2,004 was to be treated as a gross relevant distribution. The appeal turned on the meaning of Finance Act, 1947, Section 35 and Finance Act, 1951, Section 31.

The Crown's first argument was that the payment of £15,030 was a return of capital within Section 31 of the 1951 Act. This was not accepted by the Court. Even had it been, the payment would have been only a "distribution" and not a "gross relevant distribution" as defined in Section 35, F.A., 1947.

Another argument of the Crown was that this was not a case where the payment of £15,030 could be described as a distribution of capital within Section 35. In a liquidation all distinctions between capital and income had gone. The Court rejected this argument. The language of paragraph (*c*) of Section 35 (1) applied whether the company was in liquidation or not. The sum returned was capital and because it was a distribution of capital was not a "gross relevant distribution" under Section 35, although a distribution.

Leave to appeal to the House of Lords was refused.

COURT OF APPEAL (Lord Evershed, M.R., Morris and Pearce, L.JJ.)

C.I.R. *v.* National Book League. May 30, 1957.

The League, an admitted charity, had claimed repayment of tax on sums paid by members under seven-year covenants. These sums were treated by the League as membership subscriptions. Members were entitled under the rules of the League to various benefits, including what amounted to the amenities of a club at the League's premises. These benefits had been disregarded by the Special Commissioners as being trifling and illusory. Vaisey, J., however, did not take this view, and held that the covenants purchased substantial benefits.

The Court of Appeal unanimously upheld the decision of Vaisey, J., reported in ACCOUNTANCY for January, 1957 (page 26). Lord Evershed, M.R., said that their decision must be restricted to the special facts of the case. The covenantors were entitled to whatever benefits the League provided at any particular time and the League had promised that the subscriptions paid by covenantors would not be increased for seven years. The covenants were thus paid in return for a consideration, which was not trifling. They were therefore not pure income in the hands of the League and accordingly not annual payments. No tax deducted could, therefore, be reclaimed by the League.

Leave to appeal to the House of Lords was granted.

COURT OF APPEAL (Lord Evershed, M.R., Morris and Pearce, L.JJ.)

S. Berendsen Ltd. *v.* C.I.R. May 30, 1957.

The Court unanimously allowed the appeal of the Revenue against the decision of Wynn-Parry, J., in this profits tax case. (See this issue, page 311.)

The Court of Appeal held that the directors of the company held a controlling interest in it within paragraph 11 of the Fourth Schedule of the Finance Act, 1937. As a matter of common sense, the voice of the Danish company was the voice of E., who controlled it. The decided cases did not invalidate this view. Where a registered shareholder was a company, it was necessary in certain cases, such as the present, to go behind the register to find out who was the individual who controlled it, for a company could only vote through an individual.

Leave to appeal to the House of Lords was granted.

CHANCERY DIVISION (Harman, J.)

Carson (H.M. Inspector of Taxes) *v.* Cheyney's Executor. June 6, 1957.

During his lifetime the taxpayer carried on the profession of an author, and received copyright royalties under various agreements entered into between publishers and himself. These royalties were taxed under Schedule D, Case II.

The Revenue sought to assess his executor under Case III or VI of Schedule D on royalties received after Cheyney's death, payable under agreements made personally by Cheyney before he died.

It was held that *Purchase* v. *Stainer's Executors* (1951, 32 T.C. 367) applied. Accordingly the sums received were remuneration in respect of professional activities, and as they were received after the profession had ceased they were not taxable.

The Month in the City

Sagging Markets

From the temporary peak reached by the general level of industrial equities just after the middle of May, prices sagged for ten days and then, after a partial recovery, fluctuated with no decided trend for a substantially longer period. Meanwhile the decline in the Funds, and even more that in other fixed interest securities, was accentuated. Some commodity shares also fell on weakness in the prices of raw materials. The one really firm market was that for gold mining shares, particularly kaffirs, which recovered in the first ten days of June virtually the whole of the ground lost in the previous four months. When it is realised that during part of this period at least sterling was weak and the price of gold high, one is tempted to see the rise in kaffirs as nothing more than the usual reflection of distrust of sterling and British Government credit. But this is almost certainly an over-simplification of the situation. Leaving the major question for the moment, the minor one of the renewed popularity of gold mining shares seems to rest on a number of points of some interest, of which the least permanent was the approach of the June dividend declarations. Less transient is the interest in platinum production, and more permanent the expectation that more dollar capital will be pumped into the Union as a result of the tussle for control of Central Mining (see below). Nonetheless, it is difficult to believe that, if the British investor were saving large amounts and were satisfied with the outlook in the United Kingdom, the rather sorry picture of sagging markets would not have been relieved now.

Friendless Funds

It appears to be literally true that the Funds have no friends at the moment. Perhaps such a generalised statement almost provides a sufficient explanation of the current general weakness. But over a longer period it does not suffice to explain the fact that the margin between the yield on industrial equities and Old Consuls is now only 0.42 points, whereas on the morrow of the Bank Rate reduction in February it was over 1.3 points. Over that period the yield on Consols has risen by almost exactly as much as that on equities has fallen. There can be no question that the conjunction of a rather soft Budget, a lower Bank Rate, a too easy policy on wage demands and the slowness of the industrial revival have convinced the investing public that inflation is with us once more. No figures are available of actual sales of longer-dated securities by the Government, but it seems very probable that the amount can only have been minute in recent weeks compared with the large total around the end of last year. The repayment of the outstanding Funding and Exchequer stocks on June 15 was reflected in a rise of £407 million in total Treasury Bills but of only £10 million in tender Treasury Bills, and had little effect on market prices. The picture as revealed by the indices of the *Financial Times* between May 20 and June 19 is scarcely reassuring: Government securities fell from 84.66 to 83.56; fixed interest from 93.08 to 90.45; industrial Ordinary shares from 206.6 to 204.7; while gold shares rose from 66.2 to 72.1. There was a marked rise in oil shares.

I.C.F.C. and the Squeeze

The *Industrial and Commercial Finance Corporation* exists to fill the Macmillan gap, that is to help the small company whose requirements are too modest to fit economically into the normal structure of the new issue market. It is frequently said that the credit squeeze has hurt this type of enterprise more than the large company, and the report of the Corporation for the year to end-March last seems to provide some evidence that, at least, the small man has felt the squeeze. The net amount of new business, having fallen to £5 million odd in 1955–56, dropped to less than half that figure in the latest year; the number of applications from new customers dropped by almost a quarter and offers, both to these and to old customers, by rather more. The total number of accounts on the books, however, increased by 32 to 586, and the total amount of funds invested by the Corporation by £916,100 to £33.1 million. Gross income on the year rose a trifle but interest paid increased more, since some three-quarters of the capital is loan capital, so that the net figure fell and the total amount ploughed back was some £543,000 against £580,000. Accumulated reserves and carry forward are now almost £3 million. Total applications last year were only 12 per cent. below the average for the past five years, whereas that figure was no less than 26 per cent. below the average for the preceding quinquennium. No figures for values are given, but Lord Piercy, the chairman, suggests that this indicates that credit restriction has administered a check to investment for the type of enterprise for which the I.C.F.C. caters.

F.C.I. Earnings

The profits of the *Finance Corporation for Industry*, which had been swollen in each of the two preceding years by almost £500,000 surplus on realisations, suffered a sharp fall in the year to end-March last. Not only was there virtually no surplus on sales, but with the rise in interest rates net receipts on investments fell by well over one-third. This occurred despite the fact that the Corporation's loans carry an escalator clause relating interest charged to Bank Rate. There is little change in investments on the year, but there is a jump of over £12 million to almost £52 million in commitments, of which £21 million is for further advances to the steel industry.

Central Mining Control

At the time of writing, it is a little difficult to say just what the position with regard to *Central Mining* may be. The story really starts with the sale of its Trinidad Oil holding, which left it well equipped with cash so that there was some expectation of a take-over bid from South African interests. For this reason or another, the company decided on a capital reorganisation, which was followed by suggested alterations in the Articles of Association, changing the voting rights. It was then announced that a group consisting of certain American interests, Union Corporation and a number of London merchant banks had formed a South African company to acquire a substantial equity holding in Central Mining and also to make a bid of 24s. each for the Preference shares that it did not already hold. This offer was followed after a brief interval by another from Glazer Brothers of Johannesburg of 30s. per share for the Preference and £5 for the Ordinary, up to certain limits, but this was subject to a number of conditions which do not appear to have been fulfilled as yet. Meanwhile, nothing further has been heard of the reception accorded to the former offer, but it has been stated from the Union that sufficient dollars are available to ensure that control will remain with the company set up by the London group and that the bulk of these funds will be used for development in Africa.

QUEEN ELIZABETH I OPENS THE ROYAL EXCHANGE

On January 23rd, 1571, Queen Elizabeth I opened Sir Thomas Gresham's Exchange in the City of London. It did not, however, survive the Great Fire of 1666 and a new building was erected in 1669. This, too, was burnt down and the present Royal Exchange was opened by Queen Victoria in 1844. Appropriately it was the setting for the public proclamation in the City of the accession of Queen Elizabeth II.

Today, the Royal Exchange Assurance still conducts its business from here, as it has done for almost two and a half centuries. Royal Exchange Assurance offers favourable terms for Life and Endowment policies. Other types of insurance can also be arranged for the family and home. Enquiries are welcomed at the Head Office, Royal Exchange, London, E.C.3, or any local branch.

ROYAL EXCHANGE ASSURANCE

Incorporated by Royal Charter in 1720

All classes of Insurance transacted. Branches throughout the United Kingdom.

Points From Published Accounts

Abridged Building Society Accounts

Full marks to the directors of the *Co-operative Permanent Building Society* for their lively presentation of accounts. The society is one of the few that bother to show comparative figures and, moreover, abridged accounts are available for those interested in the salient features of the year's operations only. The full accounts are the first made up to the new requirements of the Registrar of Building Societies, and are wholly up to the standard usually associated with the Co-operative.

Interest attaches to the abridged version of the accounts, because it has been set out in narrative form, making things much easier to understand for those not acquainted with the several separate accounts in the full version. Building societies, more than any other section of the economy, are in need of bringing their activities in front of the general public and more might well follow the example here set.

Retentions by Subsidiaries

From an accounting point of view *Lewis's Investment Trust* is not an easy business to get to grips with. The directors meet most of the difficulties by publishing two profit and loss accounts, one for the parent and one for the group, which includes the main operating subsiduary, Lewis's Ltd. Although it is the total net profit that really matters from a shareholder's point of view there is a great deal to be said for showing how much profit is retained by the operating companies, and this Lewis's Trust shows in the following manner:

Balance being consolidated net profit		£2,271,437
(*a*) Attributable to Group		
	£	
Holding Company—distributed	632,337	
,, ,, —retained	147,537	
	779,874	
As shown by the accounts of Lewis's Investment Trust Ltd.	1,222,203	
	2,002,077	
(*b*) Attributable to Minority Interests	269,360	
		£2,271,437

Thus the true position is made much clearer than it would be if there were merely a single figure for the net profit—particularly since a reader can cross check with the parent account on the facing page. Looked at in this light, two distinct impressions of the cover available for the dividend emerge—one showing how much the holding company is prepared to withdraw from the operating subsidiaries and the other showing how much is theoretically available. Here is an admirable detail helping to make these necessarily somewhat complicated accounts more easily understood by the layman.

An Attractive New Format

The first consolidated accounts of *Midland Electric Manufacturing* have provided an opportunity for a completely new format. The new style is a great improvement on the old. A stiff cover is now used, and the accounts themselves are printed on art paper. Though the presentation is unchanged, the comparative figures are now printed in black upon a coloured background instead of in red as formerly. The result is altogether more pleasing.

A Problem of a Share Premium

When is a share premium not a share premium? The answer might well be found in the accounts of *Leyland Motor*. In 1955 this company acquired Scammell Lorries by the issue of 1,950,724 £1 shares, with the balance payable in cash. Naturally, for the purpose of fixing the purchase price, the shares were taken at their market value, which was £1,951,000 in excess of the nominal value of the capital issued. A footnote to the accounts points out that: "In view of the doubt existing as to whether this constitutes a share premium within the meaning of section 56 of the Companies Act, 1948, the investment has been entered in the balance sheet of Leyland Motors Limited at only the nominal value of stock issue plus the cash payment, i.e. £2,101,371." But surely the total price paid, as matched against the assets and earning capacity of the business being acquired, is what really counts and should therefore be pinpointed in the accounts. Note that in a system of no-par-value capital the problem would not arise.

Wallpaper Accounts

A wholly novel set of accounts has been produced this year by *Smith and Walton*. The concern recently acquired another business manufacturing wallpaper (among other things) and it is one of the patterns in the range of wallpaper that forms the cover of the accounts. There is a celluloid outer cover with the title printed upon it. The directors deserve threefold credit—their original form of presentation will have ensured a ready readership of the accounts, will have drawn immediate attention to the changes in the business as a result of the merger and will have advertised the wares that are being produced.

Good Use of a Box

There is further improvement in the accounts of *Asquith Machine Tool Corporation*. They are now rather fatter and the cover is blue, with a blue background for the comparative figures. The practice of showing the aggregate amount carried forward in the accounts of the subsidiaries is retained, the relevant information being contained in a box. Thus there is no interference with the straightforward presentation of the profit and loss account, but an opportunity is provided for those interested to see how the latest retentions compare with what has gone before.

The Force of Colour

A wealth of statistical and graphical information accompanies the accounts of *British Oxygen* this year. This is a big improvement on the old presentation, much of the effect coming from the judicious use of a contrasting colour. The accounts show that a great deal can be achieved in raising the standard of readability without necessarily going to elaborate lengths.

Publications

Australian Company Finance—Sources and Uses of Funds of Public Companies 1946–1955. By A. R. Hall. Pp. x+198. (*The Australian National University, Canberra:* 32s. 6d. net.)

IT IS A LITTLE embarrassing to realise that the first few sentences of this book, which refer to the paucity of previously existing statistics on the corporate sector of the Australian economy, could equally well be applied to the United Kingdom. Especially so, when one learns that in Australia the published accounts of companies are required to conform to lower standards of disclosure and uniformity than in this country. In spite of the limitation, Dr. Hall has produced in considerable detail aggregate balance sheets and sources and uses of funds statements for a group of companies responsible for a substantial proportion of the total economic activity of the country: in addition to the record of 340 companies for 1946–1950, there are given the figures for the first four years (1952–55) of a series for "100 large companies." It is intended that the second set of figures will be the basis of a continuing series, and it is estimated that the 100 companies may cover between 10 per cent. and 15 per cent. of all trading and about 30 per cent. of manufacturing. The author's methods are described without jargon; here and there he indicates how experience in working on the figures has dictated a change of mind which in turn produced a change of form at some point in the series. It is a way of writing which does not produce the neatest and most logical of texts, but there is a fund of information and ideas for anyone wanting to consider the how and why of this method of re-vamping accountant's figures for economist's purposes.

About half of the 70 pages of text—the remainder of the book consists of tables—is devoted to an interpretation of the figures. This interpretation is clearly to some extent dependent on existing knowledge of the field, but it seems to me that the author undoubtedly makes his point that up-to-date statistics of this kind could contribute significantly towards an understanding of the current workings of the economic system.

For the reader who is new to statements of the sources and uses type it should be noted that much of the interest of this book derives from its straightforward aggregations of information that is publicly available in balance sheets and profit and loss account: the sources and uses statements are perhaps unfamiliar in form, but there is nothing particularly esoteric about the processes by which they are derived. What is perhaps astonishing is that in these days of mechanical computing the vast output in Britain of financial records carefully compiled company by company should for so long have remained uncollated except, on an inevitably inadequate basis, by private organisations. H.S.D.

Analysis and Interpretation of Financial and Operating Statements. By Sir Alexander Fitzgerald. Second Edition. Pp. xi+228. (*Butterworth & Co. (Australia) Ltd. Available from London office:* 31s. net.)

THE OPENING CHAPTERS of this guide to analysis and interpretation of financial and operating statements are devoted to explanations and definitions of accounting conventions, doctrines and terminology. In this regard alone the book will appeal to the student of accountancy since the rational interpretation of accounts is very much a question of knowing the rules—and what is more important, knowing how far the accountant concerned has observed those rules.

At the very outset, on page 2 to be precise, the author says in justification for introducing such a subject that "... Accounting statements, representing as they do the culmination of a highly technical accounting process, and too often presented in an unnecessarily technical form, need to be explained if they are adequately to fulfil their purpose—which is to convey information." This is a challenge that no accountant can afford to ignore.

I would have liked the author to have placed rather more emphasis than he has placed on the deductions to be drawn from the various relationships thrown up by the analysis and comparison of accounting information. This is a small criticism, but in reading the chapters concerned one becomes conscious of the effect without appreciating the cause.

Chapter twelve is designed to show the effect on accounting statements of the "doctrine of conservatism" and here the author fishes in the troubled waters of controversy surrounding stock valuation. Undue conservatism obviously distorts the pattern of accounts from one period to the next, but I find it difficult to think that even the most inexperienced student would consider it logical to go to the other extreme, and attach to stock at the close of one period a value equivalent to the price it realised on sale in a subsequent period and, having done so, proceed to use that anticipated profit to reduce the "cost" of sales.

In conclusion and taking first things last, the author in his preface to the original publication in 1947 said that the book was written in the hope that "... it would be useful to students at all stages of their preparation, as well as to accountants, financial advisers and investment analysts." I believe he has succeeded. It is hardly a textbook but it is a book in which the students of accountancy of all ages will find much to exercise their minds. G.S.N.

Ranking, Spicer & Pegler's Mercantile Law, incorporating Partnership Law and the Law of Arbitration and Awards. By W. W. Bigg, F.C.A., F.S.A.A., and R. D. Penfold, LL.D., Barrister-at-Law. Tenth edition. Pp. lvi+415. (*H.F.L. (Publishers), Ltd.:* 21s. net.)

THIS BOOK HAS for long been a classic for students preparing for professional examinations. With such a background it is as well to consider what is expected by the student from such a textbook. He looks for two things—accuracy of principle with economy of words. The second is always found here—the first almost always. The "almost" does not carry an implied criticism of this work, so much as a criticism of the impossible task set any textbook writer by the examination requirements of some of the professional bodies.

There are places where the enforced compression has unfortunately led to some inaccuracy or infelicity of phrase. For example, why describe contracts for necessaries as being "absolutely binding on an infant" (page 32)? What meaning has the word "absolutely", having regard to the fact that an infant is not necessarily liable to pay the contract price, but only a reasonable price? It may be said that through such compression the book sometimes provides information at the sacrifice of teaching. As an example, the case of *Entores* v. *Miles Far East Corporation* (1955)—the *Telex* case—may be cited. It would seem necessary, to explain the principle properly, to refer back to *Byrne* v. *Van Tienhoven* (1880), as did the argument before the Court: but the explanation and reference back are missing from the book.

But compression is imposed on the authors because of the task with which the student is faced. He has to master a

whole range of subjects in law, all more or less part of the wider subject termed "mercantile law." Almost inevitably he does not see the wood for the trees. Is it not more important that the student should understand such a principle as the doctrine of consideration—thoroughly explained at page 20 of this work—than that he should know that under Section 2 of the Chain Cables and Anchors Act, 1899, there is an implied warranty on the sale of a cable that it has been duly tested and stamped? How many accountants are there in cables—or in chains?

In an appendix there is a very lucid analysis of the Restrictive Trade Practices Act, 1956.

As a compendium of information this book is probably unequalled.

D.A.G.S.

Public Authorities' Stores, Small Plant and Tools Accounting and Control. A Research Study by R. H. Mead, A.I.M.T.A., and others. Pp. vi+117. (*Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, S.W.1:* 15s. post free.)

THIS BOOK IS another in the series of research studies into practical problems of local government finance that have been promoted by the Research Committee of the Institute of Municipal Treasurers and Accountants. The research in this instance was undertaken by a group of five local government officers including two Incorporated Accountants—Mr. R. R. Renville, A.I.M.T.A., A.S.A.A., and Mr. G. Shepherd, B.A.(ADMIN.), F.I.M.T.A., A.S.A.A.

The study was conducted on the basis of an extensive questionnaire—reproduced as an appendix in the book—completed by 83 local and public authorities, including some of the Gas and Electricity Boards as well as hospital authorities.

The authors realise that whilst there has been much already written on the subject of stores and material accounting generally, little has been written on its application to local authorities and the public boards. The study was undertaken because it was felt that a critical survey of the methods of accounting and control of stores by these authorities would provide a needed and valuable source of reference for local finance officers, practitioners and students. The researchers have succeeded in their purpose. It is evident that the study has as its guiding aim both efficiency and economy in the operation and management of stores. The team appreciated that the control of stores is a double-sided problem concerned with physical control and the control and accounting on paper. Whilst it is with the second problem that the book mainly deals, aspects of the first problem are also touched upon and there is a whole chapter devoted to stores premises.

The systems adopted by the authorities covered by the inquiry are comprehensively examined and are compared not only with one another but also with theoretical procedures. However, the authors avoid recommending any set or standardised system, as they wisely appreciate that local circumstances are an important factor in determining the choice of any system. Nevertheless there has been reproduced as a further appendix a full description of a mechanised stores accounting system in operation in a large public works department of a county borough.

Being a research study based on actual experience the book throughout bristles with practical points. Although it is primarily concerned with stores systems of local and public authorities, accountants and stores officials of commercial undertakings will find in it much of value and many will find it most instructive to check their stores system and procedure against the questionnaire that was sent to the public authorities. The examination student will also find the book, which is clearly written, a useful supplement to his more general reading.

R.D.J.A.

Accountancy Explained. By W. T. Dent, A.C.A. Pp. 212. (*Gee & Co. (Publishers) Ltd.:* 25s. net.)

MR. DENT HAS written for those "whose everyday work is not directly concerned with accountancy, but who have to use accounts from time to time and wish to understand the principles involved." It is generally much more difficult to write on technical matters for laymen than for those who are trained and experienced. But Mr. Dent's book has a refreshing clarity that makes the reading of it a pleasure, and at the same time it is a scholarly contribution to the literature of accountancy.

A short chapter on the purposes and methods of accounting is followed by one on capital and revenue. The topics then discussed are the books of account; the trial balance; control accounts; final accounts; partnership and company accounts, including the accounts of holding companies; departmental and branch accounts. The final chapter touches on interpretation. There are plenty of examples.

The accountant will find here an interesting recapitulation of familiar ground. From the viewpoint of the non-professional for whom it is primarily intended, one criticism must be made of the book. It places much emphasis on accountancy and legal detail rather than on more practical issues. Interpretation and not mechanics is what the businessman will look for. Double entry, trial balance and control accounts, fundamental in bookkeeping, need not much concern the intelligent layman. He will want to know how to "read" a balance sheet, and in a book written for him the chapter on interpretation should be the largest and the most important. The summing-up of the financial position of a business, as evidenced by its accounts, is for him the crux of the subject. The author has given chapters to the form of published accounts and to interpretation, but when the book goes to its next edition he would do well to enlarge them and to find the space by excising some of the technical detail.

V.S.H.

Books Received

Housing Finance and Accounts. By W. L. Abernethy, A.S.A.A., F.I.M.T.A., and A. R. Holmes, M.SC.(ECON.), A.I.M.T.A. Second edition. Pp. xi+264. (*Shaw & Sons, Ltd.:* 30s. net.)

Reminiscences of a Financial Venturer. By John Arnold Lambert. Second edition. Pp. 201. (*Printed by Butler and Tanner Ltd. No price stated.*)

Sugar Beet Costs and Returns. Report No. 52. Pp. 12+iii, mimeographed. (*Farm Economics Branch, School of Agriculture, Cambridge:* 1s. 6d. post free.)

Maincrop and Early Potatoes: Costs and Returns, 1955. Report No. 53. Pp. 24, mimeographed. (*Farm Economics Branch, School of Agriculture, Cambridge:* 1s. 6d. post free.)

One Thousand Questions and Answers on Company Law. By Frank H. Jones, F.A.C.C.A., in collaboration with Ronald Davies, M.A., Barrister-at-Law. Pp. xiv+370. (*Jordan & Sons, Ltd.:* 27s. 6d. net.)

This book was reviewed in our May issue, on page 229. It is regretted that the publishers were wrongly stated.

Higher Control in Management. By T. G. Rose, M.I.MECH.E., F.I.I.A., M.I.P.E. Sixth Edition. Pp. xvi+303. (*Sir Isaac Pitman & Sons, Ltd.:* 30s. net.)

(*Continued on page 318*)

Legal Notes

Contract and Tort—
Damage Caused by Encroaching Tree Roots

It is well established that when a tree encroaches on a neighbour's land, whether by overhanging branches or by the penetration of roots, the neighbour can abate the nuisance by lopping the branches or grubbing up the roots. There was, however, some doubt whether the neighbour could sue for any damage caused by the tree, if the tree was self-sown and the damage was caused by natural growth, for it had been indicated in some cases that a man was not liable to his neighbour for any damage caused by the natural growth of the soil. The Court of Appeal has now held in **Davey *v.* Harrow Corporation** [1957] 2 W.L.R. 941 that the owner of a tree is liable for any damage caused by encroaching roots or branches, whether or not the tree is self-sown.

Contract and Tort—
Insurer's Right of Subrogation

An interesting point on an insurer's right of subrogation arose in **Re Miller, Gibb & Co. Ltd.** [1957] 1 W.L.R. 703. In 1951 the Export Credits Guarantee Department issued to M.G. Ltd., a company of exporters, a shipments policy of indemnity, under which the Department guaranteed to pay to the exporters 90 per cent. of the amount of any loss caused by certain currency restrictions in foreign countries. M.G. Ltd. exported goods to Brazil, and the buyers paid the appropriate amount of Brazilian currency into a bank in Brazil. Exchange regulations then forbade the bank to remit the money to England, amd M.G. Ltd. was in due course paid 90 per cent. of its loss by the Department. In 1954 M.G. Ltd. was ordered to be wound up. Later the Brazilian regulations were relaxed and the money was remitted to the liquidator in England. The question then arose whether the liquidator should pay over to the Department all the money which it had paid or whether he should use the fund for the benefit of the general body of creditors.

Wynn-Parry, J., held that, as the contract between the Department and M.G. Ltd. was one of indemnity, the Department as insurers had the benefit of the right of subrogation; if the company had ever received the money in sterling it would have held it as trustee for the Department, and accordingly the Department was entitled to the sum claimed.

Insolvency—
Setting Aside Bankruptcy Notice

By Rule 137 of the Bankruptcy Rules, 1952, "every bankruptcy notice shall be endorsed with . . . (*b*) an intimation to the debtor that if he has a counterclaim, set-off or cross-demand which equals or exceeds the amount of the judgment debt and which he could not have set up in the action in which the judgment or order was obtained, he must within the time specified in the notice file an affidavit to that effect with the registrar"; and by Rule 138 "if the notice is served in England the time for filing the affidavit shall be three days."

In **Re a Debtor (No. 30 of 1956)** [1957] 2 W.L.R. 865, more than three days after the service of a bankruptcy notice a debtor took out a motion to set the notice aside on the ground that before the service of the notice the judgment debt had been satisfied by the payment of moneys to the creditor by a third party in full settlement. The creditor took the preliminary point that the motion was out of time.

The Court said that in a number of cases bankruptcy notices had been set aside on grounds other than those set out in Rule 137, and satisfaction must be one of those grounds because, if a judgment had been satisfied, there would be no judgment left on which to found the bankruptcy notice. There was no reason why the time limit of three days should apply except to grounds mentioned in Rule 137, and accordingly the debtor was entitled to succeed on the preliminary point.

In a more recent case, not yet reported except in *The Times* newspaper, it was held that a claim made by a husband against his wife under the Married Women's Property Act was capable of being a "cross-demand" within Rule 137, when he was served with a bankruptcy notice by his wife.

Miscellaneous—
What Premises are Protected under Part II of the Landlord and Tenant Act, 1954.

By Section 23 (1) of the Landlord and Tenant Act, 1954, the protection of Part II of that Act is given, subject to certain exceptions, "where the property comprised in the tenancy is or includes premises which are occupied by the tenant and are so occupied for the purposes of a business carried on by him," and by Section 23 (2) "the expression 'business' includes a trade, profession or employment and includes any activity carried on by a body of persons, whether corporate or unincorporate."

There was some doubt whether the meaning of "activity" was limited to activity of the same kind as would ordinarily be included in the word "business". This doubt has now been dispelled by Hilbery, J., in **Addiscombe Garden Estates Ltd. *v.* Crabbe** [1957] 2 W.L.R. 964. The S.P. Lawn Tennis Club Ltd. was a society registered under the Industrial and Provident Societies Act, 1893, with the object of carrying on the business of a lawn tennis club. Some tennis courts were let to trustees on behalf of the company and were used by the members for playing tennis. His Lordship held that this was an "activity" within the meaning of the sub-Section and that the tenancy was protected.

Books Received

(*Continued from page 317*)

Differential Rents. A Factual Survey. By R. A. Emmott, B.SC.(ECON.), A.I.M.T.A. Pp. 51. (*Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, S.W.1:* 7s. 6d. post free.)

The Index of Technical Articles. A monthly index of articles published in British Technical Periodicals. No. 3, April, 1957. (*Iota Services Ltd., 38 Farringdon Street, London, E.C.4:* Subscription £6 6s. per annum; 10s. 6d. per copy.)

The Farmer's Legal and Financial Handbook. By David Shrand, A.S.A.A., C.A.(S.A.) and Gordon Davis, Q.C., M.A., LL.B.(S.A.). Pp. vi+265. (*Legal and Financial Publishing Company, P.O. Box 3461, Cape Town, South Africa:* No price given.)

Internal Audit in the Public Boards. By W. L. Abernethy, A.S.A.A., F.I.M.T.A., with contributed chapters on Electricity Supply and Gas Supply by E. N. Judge, A.M.I.T.A., A.C.W.A., and F. W. Johnson, B.COM., A.A.C.C.A., A.C.I.S. Pp. vii+189. (*Shaw & Sons, Ltd., 7–9 Fetter Lane, London, E.C.4.:* 27s. 6d. net.)

Trustee Savings Banks Year Book, 1957. Official Handbook of the Trustee Savings Banks Association. Pp. 203. (*Wyman & Sons Limited, Fakenham, Norfolk:* 5s. post free.)

The Student's Columns

CHILD AND DEPENDENT RELATIVE RELIEFS

Children

FOR 1955/56 and 1956/57 a claimant who proved that he had living at any time within the year of assessment any child who was either under sixteen years of age or, if over that age at the commencement of the year, was receiving full-time instruction at a university, college, school or other educational establishment, was entitled to child relief of £100. For 1957/58, however, the provisions of the Finance Bill amend the amount of the relief so that it will depend upon the age of the child at the commencement of the year of assessment. If the child is over the age of sixteen the relief will be £150; if over eleven but under seventeen, £125; and if under twelve, £100.

Illustration

A taxpayer has four children who at the commencement of the year of assessment are seventeen years of age, fourteen years of age, eleven years of age, and six years of age respectively. The eldest child is still at school. The relief will be £150+£125+£100+£100, a total of £475.

The term "child" includes a stepchild or an illegitimate child whose parents have married each other after his birth. It also includes any child who is in the custody of and maintained at the expense of the taxpayer (an illegitimate child could come within this category), providing that no other individual is entitled to relief in respect of the child or, if any other individual is entitled to such relief that other individual must relinquish his claim thereto (but see below). "Full-time instruction" also includes training by any person for any trade, profession or vocation in such circumstances that the child is required to devote the whole of his time to the training for a period of not less than two years. If any question arises as to whether or not any person is entitled to relief in respect of any child undergoing full-time instruction at an educational establishment, the Commissioners of Inland Revenue can, at the request of the Income Tax Commissioners concerned, consult the Minister of Education. In Scotland and Ireland the Secretary of State and the Governor of Northern Ireland are substituted for the Minister of Education.

There is a further restriction applying to all children, whether over the age of sixteen years or not, and that is that the child must not in his own right have an income exceeding £100 per annum (for 1955/56 and 1956/57, £85). If the child has an income of £100 per annum then relief may be claimed by his parents. If however, the child has an income of £101 then no child relief will be claimable. In calculating the income of the child, sums received under a scholarship, bursary or similar educational endowment are ignored.

If two people have a claim in respect of the child, it is possible that the child relief will have to be apportioned between them—as where the parents are legally separated or divorced or living apart permanently or where the husband dies during the year of assessment. Under the provisions of Section 213, Income Tax Act, 1952, the relief to be granted in respect of the child shall be apportioned between each taxpayer in proportion to the amount or value of the provision made by them respectively (otherwise than by way of payments deductible in computing their respective total incomes) for the child's maintenance and education for the year of assessment.

It should be noted that in charging surtax for 1956/57 and any subsequent year of assessment the child relief can be deducted from total income. This was not so in years of assessment prior to 1956/57. The amount to be deducted in computing the surtax assessment for 1956/57 is £100, i.e. the child relief which would be received in 1956/57 for the child. In subsequent years the relief given will be the amount which the taxpayer can deduct as child relief for income tax purposes. Thus in the illustration shown above, the sum of £475 can be deducted from the taxpayer's total income for surtax purposes in 1957/58.

Dependent Relatives

Section 216, Income Tax Act, 1952, provides that if a taxpayer proves that he maintains at his own expense any relative of his or of his wife who is incapacitated by old age or infirmity from maintaining himself or herself, or alternatively is the taxpayer's or his wife's widowed mother, whether incapacitated or not, he may claim a relief equal to the contribution made by him in respect of maintenance for the year, with a maximum deduction of £60. If, however, the relative has an income in excess of £105 in the year of assessment, the relief of £60 is reduced by £1 for every £1 the relative's income is in excess of £105 in that year.

Illustration

A. maintained his own widowed mother, his wife's widowed mother and an aunt. Their incomes are £140, £90 and £170 respectively. The relief to A., assuming his contribution to each is £100 per annum (not included in

the above figures), for 1957/58 is:

	Widowed Mother	*Widowed Mother-in-Law*	*Aunt*
Incomes	£140	£90	£170
Maximum Income	105	105	105
Excess	£35	Nil	£65
Relief	£25	£60	Nil

Where two or more persons jointly maintain any dependent relative, the relief of £60, or such smaller amount as shall be allowable, is apportioned between the persons maintaining the dependent relative in proportion to the amount of their respective contributions. Under the provisions of the present Finance Bill the dependent relative relief for 1956/57 and subsequent years may be deducted from the total income in computing the amount on which surtax is payable.

PRICING AND COSTING—II

MANY ACCOUNTANTS OPPOSE marginal costing, saying that all costs should be accounted for when determining prices lest too low a price be quoted. It has been seen in the previous article (ACCOUNTANCY, June, page 281) that the adoption of average costing may result in the rejection of "profitable" contracts (those adding more to total revenue than to total cost). In the not very usual case in which a new contract is sufficiently large to require an extension of plant, fixed costs will rise and this change must be considered—either indirectly by the control of increases in fixed costs through budgeting, or directly by the inclusion of such an increase in the marginal cost figure of the contract. Normally, however, a given increase in output will by definition have no effect on the level of fixed costs and therefore no purpose will be served by apportioning those costs. The price that is being charged should already be the best possible price and if the contribution is still not sufficient then the firm, or the particular line of production, must be uneconomic.

The contribution concept will give a clearer comparison of profitability than will be given by the net profit concept—even if variable cost is only a small percentage of total cost. If some indication of the part of capacity used by a particular contract is required then statistics of contribution per unit of limiting factor can be prepared. Thus, if it is expected that the main problem of management at the time that the contract is being undertaken will be that of labour shortage, then a figure of contribution per man-hour will be compiled.

Short-run decisions upon the use of existing capacity are said to be based upon marginal principles. In reality marginal costing gives a better guide to profitability both in the long run and in the short run. If a firm is to be profitable it must cover fixed costs in both the long and short run. The example often given of a firm working during a period of trade depression has sometimes been taken to mean that marginal costing is important in pricing only during times of depression. But to say that fixed costs must be covered does not mean that each contract or each line must all the time cover its conventiona average cost, but that those contracts and lines should be selected which yield the greatest contribution. To demand that a contract shall yield a certain percentage of contribution, say, on standard sales value, is to return to average costing methods—and also to the topsy-turvy relationship of unit-cost and volume, because the contribution required per unit to cover fixed cost will fall as output increases.

It has been argued that the cost accountant is concerned only with the determination of "cost price" (that is, the minimum acceptable price) whilst the actual or economic price will be decided by market forces. Many firms will, however, be in doubt about the prices they can obtain for their products and particularly about the elasticity of demand for their product. Is it not possible that marginal costing would lead to too low a price being quoted? One answer to this is to maintain the average cost figures side by side with the marginal cost figures, but this involves not only additional costing work but also the danger that the average cost figures, and not the marginal cost ones, will be acted upon. In reality, the estimation of potential market prices depends upon the efficiency of the selling agency of the firm. It has been suggested that the cost accountant can assist the selling department by attempting the estimation of competitors' costs. Fixed costs will be carefully controlled by budgeting and estimates of the current profits being earned.

Decreasing Costs

One particular problem that arises in industries composed of many autonomous producers each faced with increasing returns can be illustrated from the crude oil industry (see *The Price of Oil in Western Europe*, prepared by the Economic Commission for Europe). A producer in this industry will be faced with very low marginal costs and falling average costs over a wide range of output, for once the overheads of exploration, prospecting and development of local services have been met, the addition-

al costs of bringing the oil to the surface—"substantially the cost of drilling wells (plus pumping where the field will not yield adequately under its own pressure)"—are relatively small.

If price is taken as given then producers will be encouraged by the low figure of marginal cost to expand their output as much as is technically possible. Since there is a fairly inelastic demand for oil, the result may be that producers will expand their individual outputs to a level far in excess of current demand and thus will drive down prices to levels not much above prime costs, causing the whole industry to run at a loss.

Even if crude oil producers adopted average cost as a basis for pricing, any individual producer could increase his profits by expanding his output. Thus our example of decreasing costs in the oil industry shows, not that in practice there are advantages in average costing but that there are difficulties in maintaining perfect competition. If the market environment of a firm is such that it cannot earn a contribution sufficient to cover its fixed costs then the mere changing of the basis of costing will not affect the result. What must be guarded against is the accidental omission to charge prices sufficiently high to recover fixed costs.

The individual determination of output by firms may be impracticable in an industry such as the oil industry, and management will be forced to consider the effect of its output and pricing policies upon the activities of its competitors and upon the industry as a whole. This consideration does not, however, alter the basic relationship between cost and output which it is the function of the cost accountant to show.

Further, some nationalised industries are faced with a falling average cost curve—with low figures of marginal cost—and have a monopoly control over a product with a fairly inelastic demand. Here the "market" gives no prices so the relationship of cost, price and public interest becomes a matter for direct decision. The pricing mechanism must be allowed to work, in that the prices relate to the choice available to the public of the varying ways in which its resources can be used, but how is this best facilitated?

Various policies have been expounded. For example, (1) prices related to marginal cost, involving a loss made up by Government subsidy; (2) a multi-part price, with a standard charge to recover fixed costs and a unit charge to reflect marginal costs; (3) average cost prices, with recovery of all costs but the danger that public choice will be distorted; and (4) price discrimination—by recovering all costs by making people pay according to the intensity of their personal demand.

Anti-marginalism

The discussion of the concepts of marginalism by accountants comes at a time when these principles are being challenged by certain economists.

Empirical research has shown that most businessmen do not use marginalism when price-fixing, but adopt a "full-costing" approach—rather similar to the accounting textbook approach of direct cost plus a mark-up for overheads and profits. Although it is true that marginal principles may not be used consciously, it is possible that the "full-cost" figure will be amended according to market expediency unconsciously upon marginal lines.

Often cost is made to fit price and not price to fit cost. Thus a price for a product may be determined at which it is thought sales will be sufficient to use available capacity; the designers and production planners will be instructed to produce a suitable product within this price range.

Some leading economists have attacked the whole concept of marginalism as a basis of pricing. Some argue that price will be based upon average direct costs (prime costs) plus a costing margin to cover overheads and profits. The economist's "U" shaped average cost curve is rejected and it is argued that over ranges of output upon which decisions are being made average direct cost will be constant. The impact of overheads will depend upon the volume of output but the costing margin remains the same because otherwise higher prices would be indicated in periods of slack demand. It is further argued that every firm maintains a certain amount of reserve capacity for meeting sudden demands, so that technical diseconomies arising from the pressure of output upon available capacity are not likely to arise. On the side of demand it is argued that sales curves are usually fairly elastic over the small range of output within which decisions are being made.

Most economists reject this closer approach to average costing, arguing that the important feature of cost is not its directness—ease of allotment—but its variability. A distinction must be made between fixed and variable costs and in practice the basis of average direct cost may be replaced by variable cost and the costing margin be replaced by the concept of contribution, which will not be fixed but will fluctuate according to market expediency.

Further criticism of the marginal approach is based on the claim that too simplified a position is assumed. When a decision is made about prices or output most of the costs and revenues lie in the future: therefore there must be much uncertainty and the measurement of marginal cost and marginal revenue will inevitably be more a matter of subjective "hunches" than of precise ascertainment. Output changes will take time to be brought into operation and the effect of incremental changes in output will depend not only upon the slope of the marginal cost curve for the product but also upon the point along this curve at which the change is being made—but where this point is may well be unknown at the time.

It is wrong to think of the manager as being faced only with the making of one decision at a time or having to relate only output, price and cost. Probably he will be faced with several conflicting and overlapping decisions involving the consideration of techniques, product quality, selling methods, factor prices and other factors.

Summary

It has been seen that price is a function of the economic conjuncture and as such is dependent upon many factors besides cost. It has been argued that the maximum ob-

tainable price for a product is determined by the operation of the market—including such factors as demand elasticity, the state of competition and the state of trade. The main functions of the cost accountant in relation to price have been described as:

(1) assistance in the determination of output in relation to the market price by presenting figures of the cost of such output; and,

(2) the determination of the minimum acceptable price for a product or a contract—in the short run by considering the variability of cost and in the long run by presenting statements to management of current profits and thereby assisting in the determination of whether capacity should be expanded or restricted.

It has been seen that marginal cost does not fix price, but rather it determines the optimum level of output in relation to market price (or marginal revenue where the sales curve is not perfectly elastic). Thus cost determines supply (in the short run by variations in output and in the long run by changes in capacity—although in practice the two may be difficult to distinguish) and supply taken in conjunction with the demand (itself dependent upon numerous factors such as consumers' incomes and tastes) determines price. In many trades it is difficult to gauge what price should be except by experience and as a compromise some rigid relationship of price and cost may be attempted, but finally price is not the result of the adding of fixed percentages to prime cost but a resultant of the dynamic nature of economic forces.

(Concluded)

Notices

The organisers of the Universal and International Exhibition of Brussels, 1958, have officially appointed the *Union Nationale des Professionnels de la Comptabilité* to organise the **conference on accountancy** which will be held under the auspices of the International Exhibition. The conference will open on Saturday morning, May 17, 1958, and will close on Tuesday, May 20, 1958. Its object is the study and discussion of scientific, technical and economic questions affecting accountancy.

The **Hollerith Type 555 Electronic Calculator** embodies magnetic drum storage and other features hitherto available only in electronic computers. It reads information from punched cards, and punches results on cards, at a speed of 6,000 cards an hour. Its capacity for calculating work is much greater than that of earlier models. It can deal with lengthy pre-determined sequences of operations and can apply data selectively according to the results of intermediate calculations. The first calculator of this type has been installed by the United Kingdom Atomic Energy Authority at Harwell.

The **British Computer Society** has been formed with a provisional Council. The 500 members of the London Computer Group will automatically become members of the new national body, which is being incorporated as a company limited by guarantee. The Society will provide an organisation for those interested in computational machinery and allied techniques. Regional and specialist groups are to be formed—at the outset an engineering and scientific group. Further information is obtainable from the Honorary Secretary, the British Computer Society, 29 Bury Street, London, S.W.1.

The **Typing Sensimatic** is a new form of typing accounting machine made available by Burroughs Adding Machine Ltd. It has the flexibility and modern programming features of the well-known range of Sensimatic accounting machines. The writing unit has 84 type dies—more than 50 per cent. more than in any previous accounting machine—including letters, symbols and fractions. Depression of a type key causes the box to move so that the selected character is in position, when a plunger arm drives it against the platen to form a letter or number.

How to Choose a Consultant is the title of a leaflet issued by the Management Consultants Association, 4 London Wall Buildings, London, E.C.2. It points out that management consultants do not advertise, and the majority of assignments result from recommendations of satisfied clients. Suitable names may be obtained from accountants, bankers, solicitors, chambers of commerce and similar bodies, or from the register maintained by the British Institute of Management. The leaflet explains the principles on which fees are fixed.

The Office Methods Working Party of the Bristol and Bath Productivity Association has devised a plan to stimulate interest in office productivity; to collate data on the best procedures operating; to set up a reference library of these procedures; and to exchange experiences. All businesses in the area are being invited to contribute their procedures: names will not be divulged without consent. The plan is described in a pamphlet, ***Office Productivity—the Bristol Plan,*** obtainable from the Bristol and Bath Productivity Association, 34 Whiteladies Road, Clifton, Bristol 8, price 1s.

OFFICIAL NOTICES

(See also page xxiii)

KUMASI COLLEGE OF TECHNOLOGY
(Principal: W. E. Duncanson, Ph.D., D.Sc., F.Inst.P., A.M.I.E.E.)

Applications are invited for the post of Assistant Accountant

QUALIFICATIONS:

Applicants must have a good general education AND a recognised Professional Accountancy qualification.

Experience in the financial organisation of a higher institution an advantage.

SALARY:

£880 × £40—£1,560 per annum plus 5 per cent. non-pensionable temporary increase. Point of entry according to post-qualification relevant experience in posts of similar grade.

The post is pensionable under the Ghana Government non-Contributory Pension Scheme. Contract appointment carrying 10 per cent. higher salary and a Gratuity of £12 10s. for each month of satisfactory service may be offered as an alternative, or arrangements to continue policies initiated under the F.S.S.U. Scheme might be made by the College.

DUTIES:

The Assistant Accountant will normally assist the Accountant in all accounting and financial duties, e.g. the Preparation of Annual Estimates of Income and Expenditure, Budgetary Control, Preparation of Accounts for audit and publication, the organisation and control of College Stores, the organisation and direction of internal audit, the training of Accounts Staff and Storekeepers, etc.

In the absence of the Accountant the Assistant Accountant will be expected to act and to give advice to the Principal and/or the College Council on financial matters.

Conditions of service include annual leave with free return first class passages for the member of staff, his wife and up to three children under 17 years. Bungalows with basic furniture at nominal rental are provided. Income tax is low.

Applications (six copies) should be submitted to the ADVISORY COMMITTEE ON COLONIAL COLLEGES, 1 Woburn Square, London, W.C.1, giving age, education, qualifications, experience and the names of three referees. Closing date 25th July, 1957.

The Society of Incorporated Accountants

Extraordinary General Meeting

(*Continued from page 296*)

Mr. Piggott, in stating that the number of proxies lodged in your favour was eight?

Mr. Piggott: Excuse me, Mr. President, but it was stated in the notice of the meeting . . . (*Laughter, in which Mr. Piggott's remarks were inaudible.*)

Mr. C. Percy Barrowcliff, F.S.A.A. (Middlesbrough): The name is Percy Barrowcliff, of Middlesbrough, the rebel member of the Council. Mr. President, ladies and gentlemen, as you can well imagine, it is with very great regret that I am quite unable to support the present schemes. I have not arrived at this decision lightly, especially as it involved opposing the views of the majority of my colleagues on the Council. At the same time, I think it is right that our members should know that this particular scheme did not receive the unanimous approval of the Council.

I would like to make two or three comments on the schemes without going into too much detail. The abandonment of the bye-law system of entry to the profession is, I suggest, a mistake. This means of entry provides an open door which is not open and shut at the will or whim of an employer, nor upon his dictated terms. It is an open door for those who possess the necessary basic qualifications and have the initiative and resource to open it. To abandon this liberal policy and revert to articles as the only means of entry is, I submit, a retrograde step in this day and generation.

The next point is that our memorandum lays great stress on the value of the present scheme in the unification of the profession. Now, I find this submission difficult to accept. Granted there will be one organisation less than at present, but there would still be the Association, who, for some reason or another, have been left completely out of these consultations, despite their recognised position in the practice field, a position which up to now has been acknowledged by the Institute and the Society in the joint accountancy committees, which are composed of the three bodies.

Other accountancy bodies are acquiring status in the public accountancy field and cannot be denied their rights by this present scheme.

Then, of course, there are the many unqualified practising accountants who will still pursue their evil way without necessarily conforming to any standards of technical qualification, etiquette or discipline. Nor is it to be supposed that this scheme can prevent the rise of other accountancy bodies or the substantial expansion of existing ones.

Therefore unification in the practice field will, in my opinion, not be achieved by this present scheme and, far from bringing it nearer, it will, I think, undoubtedly make it more remote.

Let me say I am all in favour of registration or co-ordination of the profession which, I would have thought, would have been the first objective in the public interest. I have a well-grounded fear that the absence of the Society as an independent force will weaken the forces pressing for registration or co-ordination or even effective unification of the profession.

But now I come to what I consider is the stumbling block in the whole scheme—the vital part which excludes 2,000 of our members from membership of the three Institutes on equal terms with the other 8,000 members, despite the fact that they complied with the same exacting terms of entry applied to every member and have passed precisely the same examinations. Now, surely it would be an act of the grossest injustice to brand them now, at this moment, as having a different and lesser qualification than our own. Moreover, I would have thought grievous harm would be done to the standards of integrity of the profession at large by this discrimination against these members. It is a surprising situation that a majority in a professional organisation is at liberty to tamper with the qualification of a minority. (*Applause.*)

It has been urged that most of those excluded from full membership of the Institute have a second qualification and therefore are not being seriously harmed. Now, I suggest, valid reasons must be hard to come by if such an excuse can be relied upon.

All these members must be assumed to have good and sufficient reasons for seeking our qualification, otherwise it was not a very sensible thing to subject themselves to the rigour of our examinations. As most of us know, there were reasons of substantial value to the careers of these members and it must seem extraordinary to them that any reservation about their qualification can now be raised and attempts made to justify those reservations on the ground that they hold another qualification. I can well imagine their confidence being thoroughly shaken in our good faith by the recommendations made in the scheme. Moreover, I should like to emphasise that there are quite a number of our municipal friends who do not hold two qualifications, but only hold ours and not the municipal one.

A further excuse has been found in the fact that all these members can be members of the Institute with substantially the same rights and privileges as other members and therefore they are not really excluded from equal benefits of the scheme. Now I find this, as my colleagues know, a most extraordinary assertion. In the first place, they are not to be Chartered Accountants and cannot become Chartered Accountants without fulfilling certain other conditions later on. They are left with the designation Incorporated Accountant, which this scheme would rob of all its substance. Many would never be able to fulfil the conditions and therefore could never in their lifetime become Chartered Accountants. In the changed conditions the designation would ere long be meaningless, and that is all which is to be offered to these fellow members of ours. Moreover, I would point out that there is no absolute guarantee that the designation can be fully protected. We hear that all endeavours will be made, but there is no guarantee that it can be fully protected in the future.

Is it right that members should be asked to support this scheme when so many of our members are going to be left at the best with a dying designation and probably without any adequate protection even for that designation?

This is a sorry position in which to contemplate putting this minority. My view is that we of the 8,000 have grave responsibilities concerning the fate of the minority, and I suggest they have a right to expect us to afford them full and proper protection. In so doing, we should preserve our own integrity and our good name. Despite all the excuses and plausible arguments, there is discrimination in this scheme between one

member and another. Let there be no mistake about it: we are not all to be treated alike, and on that rock, in my opinion, this scheme should founder.

It has been said as part of the propaganda to gain support for the scheme that future recruitment to the Society will be doomed by the gradual abolition of premiums and the extension of the Institute articles. I do not accept that for a single instant, and I consider it shows a defeatist attitude which, I say with respect, seems to have been exhibited in the whole approach to the present scheme. It seems strange that we have members who have so little faith in the future when they can see the wonderful progress made by the Society in its seventy years' existence. It has been built up practically side by side with the Institute and has gone from strength to strength. For more than seventy years the Society has given a special emphasis of its own which has been of immense benefit to the profession as a whole. It is a growing force of considerable influence in the economic life of the country, and I am satisfied that a continuance of its vigorous contribution is still essential to the welfare of the profession as well as of the public at large, and, as I have already said, essential, I think, to the ultimate satisfactory unification of the whole profession.

I regret, sadly, that I am quite unable to support this scheme. I think it is a moral question, the discrimination against our members, and on that score alone I shall be compelled, very regretfully, to vote against it. But I think with the President that it would be unfortunate if we had anything but a straight yea or nay vote to this scheme. We can either take it or leave it. The three Institutes have accepted it as far as they are concerned. We must decide—this scheme as it stands, do we take it or do we not? As I say, I regret that I cannot be one of those ready to support it. (*Applause.*)

Mr. J. Eyles, A.S.A.A. (Preston): I have travelled down today from Lancashire in order to be with you. Therefore I ask permission to say a few words. First, I should like to comment on the merry little quip which you, sir, made about Mr. Piggott's proxies. Mr. Piggott's microphone was not working as far as we were concerned. We never heard his reply, but there is a perfectly simple reply. It is that those eight proxies don't mean and are not intended to have any significance whatsoever. We are not allowed a proxy to attend and vote on our behalf at this meeting, but, sir, I can assure you that those 700 people will not need a proxy when your polling paper comes round to us at our desks. (*Applause.*)

Now, sir, may I bring you, as I say, a few words from Lancashire? I am not here as a delegate, but I have a lot of friends in the North West, and I can assure you that they do feel very strongly indeed concerning these particular integration proposals.

Firstly, sir, may I say how wholeheartedly I do agree with what Mr. Piggott and Mr. Hayhow have already said, and obviously I am not going over that ground again. May I also say how grateful I am to the last speaker, whom I really do respect for being, as I assume, a non-public accountant and having the strength of character to stand up and put his views forward as he has just done.

We obviously must feel that this scheme is patently unfair to public service accountants and we feel that it exhibits a suppression of the rights of the minorities which is exampled normally on the other side of the Iron Curtain. I also feel that the inflexible agenda which is put in front of us this afternoon is not what we all might have expected, and it reminds me very much indeed of the Russian method of election where you have one candidate and one candidate only. (*Applause.*)

You, sir, did mention that you will have one Incorporated member on your Council. I think that he will have a laugh. We have some eminent members in the North West. We have a member on your Council, John Ainsworth, the City Treasurer of Liverpool. I just mention him because he is one of our luminaries. Mr. Ainsworth has a staff of close on a thousand. I do not think that he knows just how many he has, but it is close on a thousand. He is a pioneer in the latest forms of mechanical accounting. He is a leader in modern accounting research. John Ainsworth has been honoured by the Queen. He has been honoured with an honorary degree from Liverpool University, but it is now suggested that he is not worthy to take the title of Chartered Accountant. (*Applause.*) But, sir, let him take heart. I have in my office a youngster of twenty-four. . . .

The President: Might I urge you to be brief.

Mr. Eyles: . . . who served his articles in private practice. He has now come into our office. He has been a member for twelve months and a jolly good lad he is, too. If Mr. Ainsworth can persuade that young man to take him into his employ, if he can get one room, one table and two chairs, and if they can stick it for three years, Mr. Ainsworth will be a Chartered Accountant. The point, is and I say this in all sincerity, the pity is that we in the North West, we in Lancashire, agree so wholeheartedly with this question of integration. We think it is a great and a needful step forward in the profession, but we are not prepared for integration on these terms. Yet the amendment that we ask is really so small. All that we are asking is that the existing public service members shall have the rights of the remainder of the members of the Society. I for my own part—and I speak only for my own part—would be quite prepared to see the door shut now if that is the wish of all, but I do ask that the existing members should be treated on a general footing.

I personally do not agree that if this scheme is defeated then all is lost. I feel that if this scheme is defeated the Institute will have to consider again. They will have received a refusal of their membership and obviously they will know that something is disturbing us very seriously for us to make such a refusal. If such a refusal goes to the Institute, then I think that wiser counsels will prevail and I have hopes in that direction.

In any case, I do not suggest that the Society is in trouble or that it is likely to get into trouble, whether or not it joins with the Chartered Institute at the present time. The Society has had an honourable past and I foresee an honourable future for it whether it teams up or not.

The profession is rapidly changing in a changing world. I personally protest at the implication that the only pure accountancy is practised in professional accountants' offices. In the great big world outside there are lots of exciting developments. There are developments of electronics and developments of other modern techniques. There accountancy is being practised in industry, it is being practised also in the public services and in the public corporations. I often wonder if the youngsters in the Society are so keen to put all their eggs into the basket of private practice.

I would point out that I do not think that the fruits of this merger are the best admission ticket which can be given to the outside world of accountancy.

You, sir, have asked me to be brief. (*Laughter.*) What I would like to say is that I am proud to be an Incorporated Accountant. I think that it would be a tragedy if this Society closes in a welter of acrimony and bad feeling. I do feel that it is not the best soil in which the new integrated body should be nurtured.

I do ask the meeting not to accept integration in its present form, but to give it a flat "no" as that is the only choice that we have. Let us sit back and hope that we can get integration

with fairness for all the members, sir, of your Society. (*Applause.*)

Mr. W. E. Brown, A.S.A.A. (London): My name is W. E. Brown and I am an Associate not in practice. We have heard a lot of speeches this afternoon by members in local government, and think we have heard quite a bit of filibuster. (*Applause.*) While I drepecate the fact that not all of us can be taken into the Institute as Chartered Accountants, nevertheless we must have regard to some facts and figures. The people who would not be eligible constitute about 2,000 members. Those who would be, together with the existing members of the Institutes, are something in the region of 33,000. In addition to that, the people who are becoming members in local government have declined during the years. I have taken the trouble to go through the list of members for 1955, and of 496 members in local government and in county councils, in the years 1921–29 the percentage of admissions was 5.6; in 1930–39, 5.63; in the war years, 1940–47, it was 6.12 and from 1948 until 1954, 2.66. I believe that at the same time the membership of the I.M.T.A. has increased to somewhere in the region of 2,500 to 3,000. If this integration scheme falls through, the Institutes, as you all know, will increase the number of their articled clerks to at least four. Therefore, I think that the effect on the Society would be similar to the effect it has had in Scotland—that is to say, in Scotland members of the Society eligible to become members of the Institute, 93; members of the Scottish Institute, 5,947; whereas in England and Wales the numbers are: Society's members, 7,794, and English Institute, 19,000. So I do urge all of you, for the sake of the profession in general and the Society in particular, and the future, to vote for this scheme. (*Applause.*)

Mr. R. G. Creecy, A.S.A.A. (Johannesburg): I am an associate of the Society in practice in Johannesburg in South Africa. (*Applause.*) It is by chance that I happened to be in London for this meeting. I hold, in consequence, no specific mandate from members in South Africa, although I know that many of the views which I shall express will be endorsed by a majority of the 600 or 700 members of the Society in South Africa.

First, let me say that I am not against the proposal of integration of the Society and the Institutes as such. I am, however, against the scheme, which discriminates against 20 per cent. of the members of the Society. We have been told by the Council that our point of view was taken into consideration and pressed during the negotiations with the English Institute, but that the scheme as at present proposed was the best that could be obtained. It was also a scheme which gave the coveted Chartered Accountant designation to sufficient persons to ensure its safe passage under the rules of the Society. However, the views of 2,000 members adversely affected must not be ignored, and I consider the Council wrong to have forced upon the Society such an embarrassing decision.

It is a principle of British justice that the rights of the minority shall be respected, and in the past, when anything comparable to the present proposals has ever been introduced, the attitude has always been to grant all existing members equal rights irrespective of any changes which may be introduced for those subsequently seeking admission. It must be obvious that if the proposals are accepted some one or more from amongst the aggrieved will take every action within their power to prevent the merger or to extract compensation for the damages they will undoubtedly suffer. This will mean a great deal of unpleasantness between members of the Society, which can only lead to discredit upon the Society and the profession as a whole.

My appeal at this meeting is to ask you to prevent this disintegration by rejecting the proposals in their present form. I repeat—in their present form. This can be done either by accepting Mr. Piggott's amendment—which, since no other person has done so, I hereby second—or, if that is not possible, then by voting against the resolution as at present before the meeting. The arguments against the scheme are already well known to you and I will not take up any time in repeating them now.

However, I would like to say that so far as members of the Society in South Africa are concerned, the arguments put forward this afternoon, that the Society will cease to exist, are not justified there. The Society is considered to be the senior body in South Africa since it is necessary for all practising members there, after receiving the "Chartered Accountant South Africa" designation, to pass a further examination in order that they may become members of the Society. It is an honoured degree, conferred upon members after further examination. There is also a further point which has to be considered, and that is that the Society has performed a very important function which will cease to exist if these proposals go through. Members of the Society may at present practise in any part of the world, and persons who have qualified for membership in one country may practise in another, provided the local regulations are complied with. In future, any articled clerk of mine, for example, receiving his training in South Africa will receive only the "Chartered Accountant South Africa" qualification, since I shall not be permitted to grant him Incorporated Accountant articles. If he wishes to practise on his own in England after qualification, he will be prevented from doing so, a state of affairs which I consider to be wrong in principle.

These minor difficulties may not be thought to be of importance to the 9,000 members of the Society who benefit under this scheme, but nevertheless, in voting for the scheme each and every person will be perpetrating an aggression on an aggrieved minority and must be prepared for all the consequences which such an action will entail. Accordingly, I ask all members of the Society to show their solidarity at this moment by insisting that, in any scheme for integration of the profession, the principle of equality of rights for all existing members be observed. (*Applause.*)

The President: Thank you very much. I want to make a plea. I have made it abundantly clear to all members present—and, Mr. Piggott, I have addressed a few remarks to you, particularly as to the information that you have received from the Institute of Chartered Accountants. They have made it quite clear to you that their Council would not be prepared to accept the scheme on the basis of the proposals you suggest, which I gather you are prepared to put in the form of a resolution, and which the last speaker, I gather, would second. It must be obvious to you that that represents an outright rejection of the scheme. The schemes have been approved by each of the other three bodies. In my judgment they are here for us to vote upon. We should surely vote for or against. If the requisite majority in favour is not there, then the point which, if I may say so, you have advanced with such skill and advocacy, is made, and someone will have to think again. But with the greatest respect I suggest to you that what you are seeking is a direct rejection of the scheme in its present form. (*Hear, hear.*) I would ask you, therefore, to leave the matter on that basis and tackle the resolution as I proposed it. Would you agree?

Mr. Piggott: I am sorry, but I wish to go on record the precise reason why we oppose the scheme. The supporters have asked me to move an amendment. (*Applause.*)

The President: It is quite clear . . .

Mr. Piggott: If you refuse it, you refuse it on your responsibility.

The President: I have not refused anything. I am asking you, Mr. Piggott, whose intelligence I respect, to appreciate what I am sure in your heart of hearts you know to be the fact—that what you are suggesting is in effect an outright rejection of the schemes. I am asking you, in the light of the indication which you have heard from other members who have not yet had an opportunity of speaking, to allow this matter to proceed on the basis of the original resolution. Would you agree?

Mr. Piggott: I am sorry, sir, no. (*Applause.*)

The President: May I have please the amendment that you propose? (*Document handed and considered.*)

I am advised that the amendment as put forward is not an appropriate amendment.

Mr. Piggott: Mr. President, may I be advised how my amendment might be converted into an appropriate amendment?

The President: I will certainly give you that opportunity, but I am sure other members here present this afternoon would appreciate the opportunity of expressing some views on the subject. (*Applause—Sir Charles Norton withdrew with Mr. Piggott.*)

A Member: Mr. Chairman, may I suggest that a time limit be put on the length of speeches—say, three minutes.

Mr. W. E. Moore, F.S.A.A. (Sheffield): Mr. President and gentlemen, I am one of the practising members. I listened a few moments ago with some dismay to a gentleman from Preston who cast aspersions on those who started with a table and two chairs. I am not ashamed to stand before you as one of those who did so. If Mr. Piggott wants to become a Chartered Accountant, the way is open, he can do it. I knew this before I came here today, but Sir Richard Yeabsley told you. He can do it far more easily than Sir Richard did. Sir Richard had to struggle through the hard way. It is idle to say that you fear the battle outside and other people therefore should be circumscribed. The great thing we have to look to is the future of the profession. (*Applause.*) There are plenty of those of us who have managed to get a secure position in the profession at present—I am not at the table and chair stage now. Mr. Barrowcliff has given great services to our Society, and we are all of us prepared to acknowledge them. But at moments of crisis his instinct is not sure. We have had previous experience of this; and the vote of the members ought to have told him that their true instincts lay elsewhere. He says that his policy is isolation. But his practice does not believe in isolation: its motto is "From the Thames to the Tees." (*Laughter.*) The Institute have been most generous. You cannot go to people and negotiate, and if they do not give you every point, carp and say they are not being generous. They have swallowed the question of bye-law candidates. Would they have done that ten years ago?

A Number of Members: No.

Mr. Moore: They have taken municipal candidates, subject to being in practice for three years—not a great hardship; most people have had to do it a much harder way than that. Because we cannot get everything we want, are we to throw all the rest away? All honour is due to our Council, who, despite opposition in their own ranks, even if only it were a minority, have achieved so much for us. (*Applause.*) And all honour is due to the Institute Council, who have gone so far with them along the road. The Institute stands today expectant, hopeful, even suppliant. (*Laughter.*) Its words to us are words of truth and soberness and hope for the future. It asks us to join in uniting all that we have done in seventy years with all that the Institute have done in that time; and in that union our interest is deeper even than theirs. The Society has done a great and noble work. We have the opportunity to crown that achievement, or to destroy it. Which are we going to do? The Institute in the way it has met us in these things has recognised our achievement. The hope of our founders, that the profession would be more broadly based, has been realised. Four articled clerks that the Institute members are going to be able to take in the future would not only damage us, but it is an acknowledgment that we were right. If we fail now we shall fail all those who have gone before us; we shall fail the present; and we shall fail the future. For the future of our Society will be the future of a shrunken body as the supply of articled clerks dies out. I say to all of you, both those younger than myself and those many who are older, to think well and to think wisely, and to think not only of today, for the union with the Institute is not only going to be our interest, but it will bring to us the gratitude of the generations that will follow. (*Applause.*)

Mr. J. E. V. Green, A.S.A.A. (Waltham Cross): I am an accountant in industry. I am not very well up in the personalities on the Council. Could I ask if the gentleman who spoke here earlier is entitled to become a Chartered Accountant if the vote goes through?

The President: Yes. He is.

Mr. Green: Then I should like to congratulate that gentleman on the integrity and courage which he has shown this afternoon. Now before I go any further could I ask why the amendment which has been proposed has not been accepted by the Chair?

The President: That matter is now being attended to by Sir Charles Norton, our solicitor. I did indicate that it was not, so I was advised, in an appropriate form. Mr. Piggott is with Sir Charles Norton at the moment dealing with the matter.

Mr. Green: Is it still possible to put an amendment in an appropriate form?

The President: That matter is at the moment being dealt with.

Mr. Green: I came along to make a rather long speech, but in view of what has gone before I will scrap it. If some of my remarks are a little disjointed, please forgive me. I am speaking of a few statements made by various people. First of all, the gentleman who spoke here said that all members in the municipal sphere had their reasons for taking the Society's qualification. I, sir, had a reason for taking that. I wished to advance into commerce and leave local government service, and I have done that. Now I find that if this proposal goes through I shall be one of a mere handful with the title Incorporated Accountant. I do feel quite strongly that this title is going to become very shortly unrecognised in that sphere, and I am sure there must be many others who have taken a similar course. You, yourself, sir, asked: "Can it seriously be contended that the qualification accompanied by membership of the Chartered Accountants' Institute will be less valuable?" The answer is: "Yes, it will be less valuable." There will be a handful of us in commerce and industry, as against several thousand now. Surely, that will make it less valuable. There will be possibly many Incorporated Accountants who belong to no institute or body of any sort. They will be under no standard of professional etiquette or discipline. Will that make the qualification less valuable? I am sure it will,

Now if I may just turn to the position of the accountants in commerce and industry. Little has been said on that this afternoon. I do feel that something should be said there, particularly with regard to this insistence which will now be made on service under articles and the fact that this is leading

to uniformity in the profession. I do feel that this insistence on training under articles, far from leading to uniformity, is going to further widen the divergence between the accountant in commerce or industry or in the public service, and the accountant in practice. Already a growing number of industrial concerns are having their own training schemes, and of necessity the young trainees must take the Certified or Cost and Works. Also I notice that recently we have had several circulars from another body offering easy membership to qualified accountants and claiming that only they adequately represent the accountant in commerce or industry.

Quite frankly, these are signs that there is a divergence growing. We don't want the accountancy field to be divided into two camps, and it must be fairly obvious to most people that this scheme will result in the new Institute having a definite bias towards the practising accountant. Even the title of Fellow, which up to now many of us may be entitled to, or do hold, is going to be denied to the Society's members except those in practice. Again, that is an example of this bias.

I should like to conclude by again stressing this point about articles, and I make an appeal to those members who were fortunate enough to be able to qualify, perhaps because there were such things as bye-laws in existence—it may be that if that had not been so they would not be qualified now. So I do ask those members under the bye-laws to consider in all honesty whether they would now be Incorporated Accountants if this scheme had gone into operation some years earlier, and whether they really feel that the scheme is a justified scheme to put into operation now. (*Applause.*)

Miss Ethel Watts, B.A., A.S.A.A. (London): Mr. President, ladies and gentlemen, my name is Watts and I practise in London. I venture to speak at this meeting because we have heard so many speeches against the resolution, and although all members are entitled to state their view, they do seem to reiterate the same point of view. (*Applause.*) I believe there are many people like myself who are in favour of the resolution. And do not think that we are in favour for purely selfish reasons. I happen to be both a Chartered and an Incorporated Accountant, so personally I neither gain nor lose one halfpenny on the result of this meeting. (*Applause.*) But I have always been in favour of integration. I have always thought it a great pity that the two main accountancy bodies, with almost identical standards of training, should be divided. I have always thought that it would show progress if once we could meet and join together. I realise that there must be hardship in this. It is impossible when you have a body such as the Society of Incorporated Accountants which has introduced numbers of specialists to make the terms apply to all. I do not think we are doing anything very unreasonable in trying to find terms that are going to suit the present membership, judged on the figures we have been given, and if I heard correctly that the people in municipal Treasurers' offices who are now coming into qualification were eleven in the last year. If we are trying to fit 99 per cent. of the present applicants and to improve the standards of training, I think we are doing a good thing.

There is another point that I would like to bring to your attention. We are very much sub-divided into all sorts of societies of accountants. We have the Institute of Chartered Accountants with its rules clear; we have the Society of Incorporated Accountants, with a very honourable record, trying to fit in rather diverse numbers of people. We have other bodies of accountants on which I will not comment. The difficulty for a body in the middle is that it has to go one way or the other. (*Applause.*)

If you do not accept this scheme, you may find you are doing something, and be forced to do something, that you would not willingly do this afternoon.

Mr. President, may I say that I do not make any of my remarks intending to be derogatory to the municipal Treasurers. I have served on a local government authority, and I have received great help from them. I have great regard for their work. But we are dealing with the people who go out into the field of industry in general, and I really feel that the problem ought to be regarded on those terms. What we are doing for the future is to say what shall be the standard of training, what should be the qualifications of accountants in general. We are not dealing with accountants in a particular class of offices. (*Applause.*)

Mr. A. C. Simmonds, F.S.A.A. (London): Mr. President, ladies and gentlemen, I am afraid I have not come with any lengthy prepared speech. I have only two very short points; I think one has been touched on before. If anybody goes in to negotiate a bargain, surely they do not think that both parties are going to get 100 per cent. of what they want. I am quite satisfied that the Council have used every endeavour to get through a resolution which would have involved and included everybody, but I am sure that they had to take the best of the bargain in that particular respect.

Secondly, may I ask everybody present to consider one further point? If the Institute increase their articled clerks to four and can therefore take an increased intake, and a person present has a son and wants to article him, to whom would he article him—the Institute or the Society? I am sure that that has got to lead us to the fact that we must consider this absolutely from the future—not from ourselves, today, or even from the point of view of the Society today, but from the point of view of the whole of the future of the profession as well as of the future generation. (*Applause.*)

Mr. G. N. Benson, A.S.A.A. (Whitby): I have listened, Mr. President, with very great interest to the remarks of this very learned London audience. But I come from Whitby in Yorkshire, and up there we are an ignorant lot of so-and-so's —we do not even know what an Incorporated Accountant is!

I have been qualified for twenty-five years, and I am still asked what it means, and how does it compare with a Chartered Accountant.

But it is worse than that, sir, because my three partners are members of the Chartered body—we can just call ourselves "accountants"; you know, the same as the man along the street who will do your income tax return for half-a-crown, insure your wife and sell you a couple of tickets for the pantomime in Leeds. (*Laughter.*) It is ridiculous, but it has gone on long enough; and I do beseech you, ladies and gentlemen, don't chase the shadow and lose the substance. We are told that this is the first step and I implore you take that step firmly in the right direction. (*Applause.*)

Mr. W. E. Bason, A.S.A.A. (Hitchin): My name is Bason and I am in practice at Hitchin. We rightly heard this afternoon quite a lot of criticism about this scheme, as I understand it, which was put by representatives of public and local government. This is, of course, the place where they should thrash it out. They have a certain amount of my sympathy. I can quite understand the position in which they find themselves, but I am a supporter of this scheme. I, like the lady accountant who spoke a few moments ago, am both a Chartered and an Incorporated Accountant. I qualified by articles in each case, but as far back as 1927 when I was going through articles with an Incorporated Accountant I was told: "The time is bound to come when there will be a merger of some sort or other

between the Institute and the Society." I have never forgotten that and I have always in my own small way plodded on with that in view. To me it seems so silly that between 500 and 600 of us belong to the Institute and to the Society. We see them both plodding on with the same ideals. I say boldly that the standard of examinations is on a par. I have been through them both. I have been through the lot and I understand it. I have done more than that. I say that they are on a par. I see the literature coming out from the Institute and the Society. It is, in effect, duplication. In my opinion it is stupid to carry on separately in this manner.

I say this quite seriously as a loyal Incorporated Accountant: in my view the days are numbered for the Society. If this scheme does not go through our days are numbered. They must, of necessity, be. We are too near the Institute in our outlook and in our ideals to be able to continue as a separate entity. Therefore, I hope that members in Government service and in the service of the local authorities will bear in mind what faces us if this does not go through. One course is to link up with the Institute, which cherishes the idea of articled service. We must remember that to them that is a cherished ideal. They have always had it. How can we, in the spirit of give and take, expect them to throw that over entirely? We have got to be fair. They have given quite a lot but, as one speaker said, we cannot expect 100 per cent. from them.

Secondly and alternatively, if this scheme does not go through, as I see it—this is my way of looking at it—what does it mean? It means by necessity, owing to the Institute of Chartered Accountants going on with their idea of having four articled clerks. I have not the slightest doubt that that is what they will do. With four articled clerks new blood into the Society will gradually fade away because, as previous speakers have said, we depend upon a large supply of potential members of the Society from the offices of Chartered Accountants.

What is the other source of supply? It has been from municipal offices, but we have heard it said clearly here this afternoon that during recent years that flow of blood into our Society has dwindled and dwindled until it is only about eleven. Therefore, I say that the members who have spoken this afternoon so eloquently from the point of view of the municipal members, are looking at it too personally. It is not as if they were pumping into the Society hundreds and hundreds of candidates for the future. (*Applause.*)

What is the other alternative? Let us be bold, without any kind of aspersions whatsoever on the Association. Let us be bold and recognise that if this integration scheme does not go through, I would say there will be a tendency, owing to the lack of entrants into our Society, to seek a merger, probably with the Association. I for one at this stage could not support that. That is my view.

Alternatively, there would be keen competition with the Association. Would we like that as a Society?

Lastly, if we do not do any of those things, what follows? What follows is natural death because the flow in will fade away.

I ask the members of my Society who are with local government and who have spoken so eloquently this afternoon: would you not prefer to come in with the Institute as Incorporated Accountants with such rights and privileges as there are or to continue with a Society which is bound to dwindle and dwindle, because of the lack of the flow of blood into it? I ask you seriously to consider that.

Finally, I do plead with you. I have been to quite a number of meetings on both sides, the Institute side and the Incorporated side. I have spoken at quite a number of them and put my views forward. I was almost ashamed of many Institute members who failed to vote on such a scheme. This is an important scheme on which so much in the future depends. I say that it is the duty of every Incorporated Accountant to make up his or her mind and vote. If you feel that you have got to vote against it, then vote against it. If you feel that you can support it, support it. Will any Incorporated Accountant here tell me that he has been so trained that he cannot make up his mind one way or the other and, therefore, he cannot vote? No. The whole of our training is such that we have to reach decisions day after day and hour after hour. I say that every Incorporated Accountant can make up his mind either to vote for it or to vote against it, and it is our duty to do so whatever the result may be.

In conclusion, I would say to you as I have said to others that I think that the Council have done a very good job of work under difficult circumstances. We cannot expect everything to go through as we would like it. (*Applause.*)

The President: I am going to ask Mr. Witty to say a few words. (*Applause.*)

Mr. Richard A. Witty, F.S.A.A. (London): Our proceedings this afternoon seem to me to have been a little gloomy. That is, I suppose, almost inevitable from the nature of the speeches that we had to expect. To cheer ourselves up may we remind ourselves that we are really considering a proposal of marriage. The mere fact that we may not altogether like the way that the man of the party talks does not justify us in upsetting all the arrangements. Even if we have a little bit of a fight argumentatively, that does not necessarily spoil the wedding festivities.

That reminds me that it is now some sixty-two years since I first started fighting for our Society. (*Applause.*) During the whole of those sixty-two years, from one cause or another, I seem to have gone on fighting. On the whole it is, I suppose, a habit, and perhaps Mr. Piggott will agree with me when I say once a fighter always a fighter. If it is a habit, I think on the whole it is a rather satisfying habit. But there is a limitation. It is not a scrap of good fighting amongst yourselves. If you fight amongst your own family, that can only give trouble. While listening to the speakers this afternoon, I could not help recalling the amicable relations that have persisted as between, shall I say, municipal members on the one hand, and the ordinary practising members on the other, during the whole period of this Society's existence. We have helped each other enormously right from the early days when the municipal accountants were given the opportunity of joining the Society and obtaining a qualification which perhaps they could not obtain by any other means. Also, as often happened when we attended the House of Commons for a wrangle over some Parliamentary Bill—usually on audit clauses, if I remember rightly—we could always rely upon the help of our municipal friends. It made me a little bit sad to think that perhaps some of that amicable relationship may have been forgotten. I am not sure it has.

Each speaker has put what he thought necessary to defeat the main resolution. Of course, the President himself has already explained in advance the reasons for the scheme and the reasons why a certain number of the members of this Society will retain the designation of Incorporated Accountant as members of the Institute. But I am a little puzzled to know what these Incorporated Accountant members are going to do when, if they so desire, they become members of the English Institute. I think I know what they are not going to do. Surely, they are not going to sit down with folded arms and keep their mouths absolutely shut. That is not the way fighters

work. I cannot help thinking that, within the ranks of the Institute, they will be in a much better position to fight and carry forward the arguments that they want to put forward, because there they will be actually within the arena. They will not be outside it. There will be nothing to prevent them from saying just what they like. They will have all the rights of members of the Institute and, as they have already been told, we are only considering this as one more important step towards the ultimate complete unification of the accountancy profession.

Other members, I am sure, will forgive me if I use the municipal men to illustrate any point I want to make, because I think Mr Piggott's first speech crystallised the arguments of all those who think they will be suffering because of the continuation of the use of the term Incorporated Accountant in their case. Apart from that, I do not think anybody would attempt to summarise the discussions this afternoon, and we do not yet know where we are finally going. But I would say this, and I am speaking probably as one of the oldest members of this Society present. I am speaking as one who knew Sir James Martin intimately, and who realises, as nobody else in this hall can realise, what James Martin meant to the Society. I realise that during the whole of his career he was working towards this form of unification. I admit that there are points in it that we do not like. That has already been agreed, but it is a great step which, surely, will lead to the unification of this profession to which we are all, I presume, very proud to belong. Is it too much, even at this stage, to hope that we may all vote solidly in favour of this scheme of integration which has been given consideration by many thousands of individuals, many of whom will be affected by it one way or another? So all I can say at the end is let us make the 19th day of June, 1957, a real landmark in the history of our great profession. (*Applause.*)

The President: As I understand it, the amendment that Mr. Piggott proposes is the following:

That the resolution be amended by adding at the end the words: Subject to the schemes being amended to provide equal rights to all existing members of the Society and candidates in course of qualification.

I gather that is the amendment that Mr. Creecy has seconded.

Mr. Creecy: That is correct.

Mr. Piggott: Do I have the right of one minute's brief reply to the comment that has been made?

The President: Would you allow me to finish what I was going to say? Then by all means add the comments I gather you wish to make. I am deeply sorry that my words have failed to persuade Mr. Piggott and Mr. Creecy to withdraw this amendment because it is quite evident, I am sure, to each and every one of you that it is a direct negative. (*Hear, hear.*) However, I gather that both are adamant in putting the amendment. Am I right, Mr. Piggott?

Mr. Piggott: Yes, Mr. Chairman.

The President: And I am right, am I, in believing that you do so knowing, as I have said before, what the Institute have told you in regard to such an amendment?

Mr. Piggott: Yes, sir.

The President: Thank you, Mr. Piggott. That being so, it is my duty to put to this meeting the amendment, having now determined what the amendment is. Before doing so, I now give Mr. Piggott that opportunity of adding the comment that he asked permission to add just now.

Mr. Piggott: Thank you, Mr. Chairman. Ladies and gentlemen, you have listened patiently to many speakers this afternoon and, unfortunately, I missed one or two speeches. I think the position may be simply summarised as this. As Mr. Witty said, my arguments have crystallised the position. I have made my remarks and I would just like to say one thing in reply to all the criticism that has been made.

After thinking about all this, we have decided we will ask merely for the preservation of existing rights. We have not attempted in my resolution to dictate the policy of the future Institutes. We have said that it is a principle of British justice to grant the minority equal rights. Therefore, the intention of my amendment is simply—if I may repeat the essential words—"to provide equal rights to all existing members of the Society and candidates in course of qualification."

And I would ask you all, perhaps to ask you all is asking too much, but I ask as many as possible to vote in favour of this amendment and to show how we each feel the responsibility to one another. We are one body and we should be treated equally.

The President: An amendment is now before the meeting, and, as I understand it, it is subject to a simple majority. I therefore now put the amendment to the meeting. Will those in favour of the amendment kindly signify by raising their right hand? (*After a pause.*) Now with regard to the amendment, will those against please signify by raising their right hand? Do you want me to count all these, Mr. Piggott? (*Cries of "No!".*)

Mr. Piggott: You have the numbers in support, I take it.

The President: Yes.

Mr. Piggott: If the numbers in support are published, it is entirely in your discretion if you want to publish those against. (*Cries of "Oh!"*)

The President: You want me to count them?

Mr. Piggott: It is in your discretion, sir.

The President: On that footing, I have no alternative but to do so. They will be counted. (*After a pause.*) Those for the amendment, 136; those against, 938. (*Applause.*) I declare the amendment lost.

I now put the original resolution.

Mr. Creecy: May we ask for a poll, sir? I ask on behalf of oversea members, who have not had an opportunity of voting on this amendment.

The President: They will have an opportunity, Mr. Creecy, as you well know, of voting on the original resolution. I beg of you . . . (*Mr. Creecy sat down—Applause.*) Thank you . . . Thank you very much.

I thereupon—I hope with the approval of my friend on the left (*pause*)—put the resolution that I originally proposed, and which was seconded by the Vice-President. Will those in favour be good enough to signify in the usual way, with their right hands raised? (*After a pause.*) Will those against please signify?

The voting is as follows:

For the resolution	..	972
Against		111

(*Prolonged Applause.*) I declare the resolution passed as a special resolution by the appropriate majority, but as I indicated in my opening remarks, a poll is being demanded. I have before me a request for a poll signed by Mr. Richard A. Witty, Mr. Bertram Nelson and Mr. Cassleton Elliott. Voting papers will be sent out within the prescribed time, and the appropriate time will have to elapse during which members will all have an opportunity of recording their votes on the voting papers.

All that remains for me now to do is to exhort all members to vote on the voting papers. Ladies and gentlemen, thank you very much for your attendance. That concludes the business of this meeting. (*Applause.*)

Dinner at Incorporated Accountants' Hall

THE PRESIDENT (Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A.) and the Council of the Society of Incorporated Accountants gave a dinner at Incorporated Accountants' Hall on June 18.

The guests included the Rt. Hon. Sir Reginald Manningham-Buller, P.C., Q.C., M.P.; Mr. F. J. Erroll, M.P. (Parliamentary Secretary to the Board of Trade); Sir Charles Norton, M.B.E., M.C. (solicitor to the Society); Sir Frank Lee, K.C.B., C.M.G. (Permanent Secretary to the Board of Trade); Mr. A. C. S. Meynell, F.A.C.C.A. (President of the Association of Certified and Corporate Accountants); Mr. G. Francis Klingner, F.C.A. (President of the Institute of Chartered Accountants in Ireland); Mr. W. O. Atkinson, M.B.E. (President of the Institute of Municipal Treasurers and Accountants); Mr. I. T. Morrow, C.A., F.C.W.A. (President of the Institute of Cost and Works Accountants); Mr. Ronald Staples (Editor-in-chief of *The Accountant*); Mr. J. Cowen and Mr. R. J. W. Stacy, C.B. (Insurance and Companies Department, Board of Trade); Mr. G. Fitzgerald (President of the Australian Society of Accountants); Mr. J. Stuart Kirkwood, F.R.I.C.S., F.A.I. (President of the Institute of Arbitrators); and Mr. J. C. Macintosh, F.S.A.A. (Chairman of the Public Accountants' and Auditors' Board, South Africa).

Luncheon by the President

WE REGRET THAT by a printer's error, in the notice in our last issue (page 284) of the luncheon given at the personal invitation of the President at the Savoy Hotel before the annual general meeting on May 15, it was not stated that the present members of the Council of the Society and many past members were among the guests.

Examinations—November, 1957

THE SOCIETY'S EXAMINATIONS will be held on the following dates:

Intermediate:	November 13, 14 and 15, 1957
Final: Part I	November 12 and 13, 1957
Part II	November 14 and 15, 1957

The Centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, not later than Friday, September 20, 1957.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

Final Examination

FINAL EXAMINATION CANDIDATES are reminded that, upon the introduction of the new syllabus in November, 1957, those who have already passed Part I under the old syllabus will be required to present themselves for the following papers:

(*a*) Company, Partnership and Commercial Law;
(*b*) Law relating to Executorship, Insolvency and Arbitration;
(*c*) Economics and Financial Knowledge;
(*d*) Taxation.

Those candidates who have already passed Part II under the old syllabus will be required to present themselves for the following papers:

(*a*) Advanced Accounting I;
(*b*) Advanced Accounting II;
(*c*) Auditing and Investigations;
(*d*) Management Accounting with special reference to the Interpretation of Accounts and the use of Costing Data.

Incorporated Accountants' Benevolent Fund

THE ANNUAL MEETING of subscribers and donors to the Incorporated Accountants' Benevolent Fund was held at Incorporated Accountants' Hall on May 15.

Mr. A. A. Garrett, a Vice-President, took the chair. He explained that Sir Frederick Alban, the President of the Fund, was President of the Chartered Institute of Secretaries, and the Conference of that body was being held that week in Cardiff. Sir Frederick had the interests of the Benevolent Fund very much at heart, and they would understand his dilemma and his regret at being absent from that meeting.

Mr. Garrett said it was with deep sorrow that he referred to the great loss suffered by the Fund in the death of Mr. William Strachan, who had been a Vice-President for twenty-three years. He could not let the occasion pass without paying a very warm tribute to the life-long interest and support which the Fund received from Mr. Strachan—and, indeed, in the early years it received his help in the administration.

On behalf of Sir Frederick Alban, Mr. Garrett thanked members both at home and overseas who had supported the Fund during 1956. Acknowledgment was also due to the devoted work of local Honorary Secretaries and other members who had given valuable help to the Trustees by investigating applications and in affording friendly counsel to applicants and beneficiaries. Gladly he commended the care and sympathetic consideration shown by the Trustees and the Honorary Secretary, Mr. Craig, and the Assistant Honorary Secretary, Mrs. Duncalf.

Although generally they could feel happy that the number of those whom the Fund was called upon to help was small compared with the membership of the Society, the report showed that the number of grants made in 1955 and 1956 rose sharply: assistance was given to forty-five beneficiaries in 1956, as against thirty-five in 1954. The Trustees had managed to deal adequately with all applications for assistance in 1956, but clearly they ought to have continuously ample funds at their disposal. It was a matter of concern that only about one-quarter of the members of the Society subscribed to the Benevolent Fund. He believed the situation arose from a lack of awareness, because he was happy to know of the springs of generosity amongst all Incorporated Accountants. There were many calls upon them nowadays, and perhaps there was a general impression that no one needed assistance in a Welfare State. However, the Fund could and did give assistance in cases of real hardship for which no adequate provision was made through any other source, and in a way that was friendly, helpful and effective.

Finally, on behalf of them all he expressed to Mr. Percy Toothill and his colleagues, the Trustees, gratitude for their time and devoted care to the administration of the Fund. He was glad to refer to the modification in investment policy noted in the report, which had called for special care on their part and on the part of their advisers.

Mr. Garrett then moved the adoption of the report and accounts for 1956.

Mr. Percy Toothill (Chairman of the Trustees) seconded the motion. He associated himself with the remarks made by Mr. Garrett on the work that Mr. Craig, and particularly Mrs. Duncalf, had done for the Fund, and added his personal appeal for support by the members. They had done very, very well in the past, but there were quite a number who, he thought, did not know about it. Would they take notice and subscribe to the Fund?

Mr. W. F. Edwards (London) said it was pleasing to note that the Trustees had invested in equities, but it was disappointing that they had not had the courage of their convictions to reinvest the Treasury Stock in equities. They had put it instead into money stocks. The report said that the capital lost on realisation of some £6,000 had been deducted from the depreciation reserve. That was accounting jargon, known to all of them, but it would be much more correct to say that they had written off £6,000 which had been donated by subscribers of the Fund. The Trustees could not be blamed for that, because public opinion moved very slowly, and it was only in recent years that it had been thought

proper to invest in equity stocks. He wished only to urge the Trustees to show a little more courage and to put a little more of the Fund into sound equity stocks, to avoid a recurrence of that sentence in a future annual report.

Mr. Garrett said he was sure the Trustees would give consideration to what Mr. Edwards had said.

The resolution for adoption of the report and accounts was carried.

Mr. R. Wilson Bartlett (Newport, Mon.) said they would all join in regretting that Sir Frederick was not with them. All who knew Sir Frederick wondered just how on earth he carried on those extra duties, which he always seemed to do with credit to himself and without injury to his health. He proposed that Sir Frederick Alban be re-elected President of the Fund.

Mr. C. Percy Barrowcliff (Middlesbrough) seconded, and the resolution was carried unanimously.

Mr. C. Yates Lloyd (Manchester) proposed the re-election as Vice-Presidents of George William Chapman, Alexander Adnett Garrett, Cyril Drewitt Gibson, Alexander Hannah, Alfred Peter Rivers, and William McIntosh Whyte. These were all names that had meant a lot to the Society and to the Benevolent Fund.

Mr. James S. Heaton (Keighley) seconded the resolution, which was put to the meeting by Mr. C. Yates Lloyd, and carried unanimously.

Mr. S. J. Chubb (London) moved and Mr. R. J. Neely (Belfast) seconded that Charles Percy Barrowcliff, Richard Wilson Bartlett, Ralph Macaulay Branson, Edward Cassleton Elliott, and Percy Toothill be re-elected Trustees of the Fund. This was unanimously approved.

On the motion of Mr. J. W. Richardson (Sheffield), seconded by Mr. H. Gordon Smith (London), Mr. James A. Allen, Incorporated Accountant, London, was re-elected Honorary Auditor of the Fund, and thanked for his services.

Mr. H. A. L. Hart (Whitton) congratulated Mr. Garrett on his continued health and vitality, and moved a vote of thanks to him for presiding. This was carried by acclamation.

District Societies and Branches

South African (Northern) Branch

MR. A. M. ROSHOLT, F.S.A.A., has been appointed Chairman of the South African (Northern) Branch, and Mr. W. E. Pearse, B.COM., A.S.A.A., Vice Chairman.

Central African Branch

MR. B. W. S. O'CONNELL, F.S.A.A., has been elected Chairman of the Central African Branch. The new Vice-Chairman is Mr. J. G. Dudley, F.S.A.A.

London

Mr. A. C. SIMMONDS, F.S.A.A.

Mr. A. C. Simmonds, F.S.A.A., *who (as reported in our last issue, on page* 284) *is the new Chairman of the London and District Society, has been for over ten years a partner in Messrs. Gedge, Ilott & McLeod, Incorporated Accountants, London, W.C.1. He became a member of the Society in 1936, and then spent some years in industry, including a period in New Zealand. During the war he held the rank of captain in the Bedfordshire and Hertfordshire Regiment.*

Mr. Simmonds was elected to the District Society Committee in 1951, and has been Vice-Chairman for the last year. He is a member of the Incorporated Accountants' Research Committee, and the author of a number of articles on accounting subjects. Many of our readers know him also as a lecturer at District Society meetings.

Manchester

MR. THOMAS HODGSON, F.S.A.A., has been elected President and Mr. G. D. Ashcroft, A.S.A.A., Vice-President.

Membership

THE FOLLOWING PROMOTIONS in, and additions to, the membership of the Society have been completed during the period March 8 to June 7, 1957.

Associates to Fellows

ASHLEY, Leonard Arthur (*Walter Johnson & Partners*), Swindon. ASTLE, John (*France & Co.*), Leeds. ATKINSON, George Arthur (*Forster, Stott & Co.*), York. BALLS, Oswell Wallace (*Forster, Stott & Co.*), York. BARNES, Ronald Henry (*Walter Johnson & Partners*), Swindon. CALLOW, Frederick John, Douglas, Isle of Man. COPPER, Harold Philip Tull (*Norman Sacker, Copper & Co.*), Bournemouth. DALE, Arthur Burton, Pinner. DURHAM, Leonard, Cheam. ECCLESTON, Rupert Alfred (*F. Walmsley & Co.*). Manchester. FERRY, George Alfred (*Greaves & Co.*), Newcastle-upon-Tyne. FISHER, Colin (*Fisher, Sassoon & Co.*), London. FOX, Robert Charles (*Duthie, Harrison & Fox*), Macclesfield. FURLER, John Samuel, Newton Abbot. GREENWOOD, Edward (*Brown, Butler & Co.*), Leeds. HARRIS, Creighton (*G. B. Williams, Ross & Co.*), Pontypridd. HART, Harry Arthur Leslie, Whitton. LEVACK, George Duncan (*Oliver Lusher & Co.*), Bury St. Edmunds. LIND, George Ogilvie, Chislehurst. LIPSCOMB, Frederick Augustus (*C. N. Walter, Lester & Co.*), London. MOORE, Stanley Pascoe, Surbiton. NARIELVALA, Pestonji Mancherji (*S. R. Batliboi & Co.*), Calcutta. PARKER, Reginald John, Aylesbury. PEARSON, John Alfred (*Lucian J. Brown & Notley*), Newport, Mon. PELHAM, Robert Frank Eyles (*Geo. W. Spencer & Co.*), London. POLLEN, John Selig, London. READWIN, Edgar Seeley, Bookers Sugar Estates Ltd., Demarara. REDSHAW, Jack (*A. McCarmick & Co.*), Leeds. RICHARDSON, Edward Henry (*Richardson & Co.*), Shanklin, Isle of Wight. STEWART, Leslie Charles, London. TOOKE, Harold (*H. Tooke & Co.*), Singapore. WHITE, Charles John (*Geo. H. Jackson & Co.*), Sutton. WILLIAMS, Haydn, Caerphilly.

Associates

ANTROBUS, Walter Roose (*Hope, Halstead & Co.*), Bury. AUSTIN, William, City Treasurer's Department, Nottingham. BAILEY, David Brian, with Woolley & Waldron, Southampton. BAKER, Edward, with F. L. Gardiner & Co., Scarborough. BARKER, Trevor, with Leonard C. Bye, Middlesbrough. BETHELL, Peter John (*Jewitt, Sparrow & Swinbank*), Stockton-on-Tees. BINNS, Norman James, formerly with Joseph Miller & Co.,Newcastle-upon-Tyne. BOWEN, John Arnold, formerly with Ernest A. Prince & Son, Cardiff. BULMAN, Ronald Hamilton (*Jewitt, Sparrow & Swinbank*), Stockton-on-Tees. CHAKRABORTTI, Amal Chandra, B.COM. (*S. R. Batliboi & Co.*), Calcutta. COLLINS, John Rhodes, with Causton, Rouse & Co., Bulawayo. CROXFORD, Neville Dennis, with Betty & Dickson, Johannesburg. CURRY, Aubrey James, with Walter J. Smith & Son, London. DAS, Birendra Kishore, M.A.(COM.), formerly with S. K. Basu & Co., Calcutta. DEAKIN, John Alexander, with Francis Dix, Bird & Co., Johannesburg. DEVANEY, Anthony John, with Wright, Fairbrother & Steel, London. DOWNIE, William Michael, with Pulbrook, Wright & Underwood, Salisbury, S.R. DRAPER, Roderick John, with David Strachan & Taylor, Durban. EAVES, John Harling (*H. L. Price & Co.*), Manchester. FURBER, Frederick Michael, with Causton, Rouse & Co., Ndola, S.R. GAIN, Peter Barnes, with Peat, Marwick, Mitchell & Co., Johannesburg. GILROY, Declan Patrick Dermot, with Purtill & Co., Dublin. GOTTS, Michael John, with Larking & Larking, Norwich. GREY, Brian John Michael, with R. H.

March, Son & Co., Cardiff. HELM, Stanley Vincent, formerly with Henry White & Co., London. JACKSON, Charles Bryan, with Dutton, Moore & Co., Hull. JESSETT, Peter George, with Harmon Smith & Co., Hungerford. KENDALL, Geoffrey Marris, with Newby, Dove & Rhodes, Leicester. LINCOLN, Frederick William (*Walpole & Co.*), Worthing. LOWMAN, James Pollock, with Campbell Quine, Chalmers & Co., Johannesburg. LUSCOMBE, Lawrence Edward (*Walter & W. B. Galbraith*), Glasgow. MCLOUGHLIN, Terence Vincent, with Hesketh, Hardy, Hirshfield & Co., London. MARKHAM, Dennis, with Hodgson, Harris & Co., Hull. POTGIETER, Gary Montgomery, with Wolpert & Abrahams, Durban. SANDERS, George Bernard, with H. Davies & Co., Wolverhampton. SANDLER, Leonard Julian, formerly with Michael Berman, Cape Town. SCOTT, Arnold George, Borough Treasurer's Department, Aldershot. SHEPHERD, Anthony Charles Cawley, with Deloitte, Plender, Griffiths, Annan & Co., Salisbury, S.R. SHEPHERD, John Bramley (*Charles D. Buckle & Co.*), Bradford. SIMS, Francis William, with Halsey, Button & Perry, Durban. STEWARD, Leslie Charles, with T. L. Theobald & Son, London. TAYLOR, Dennis, with Chamberlain & Merchant, Nottingham. TAYLOR, Reginald, with Brebner, Allen & Trapp, London. VAN NIEUWKERK, Ivor Stuart, with Hesketh, Hardy, Hirshfield & Co., London. WEBB, Victor Robert, formerly with Oliver Lusher & Co., Newmarket.

Personal Notes

Messrs. Prior & Palmer, Incorporated Accountants, have admitted into partnership Mr. W. A. Hickling, A.S.A.A., and Mr. B. R. Hartley, A.S.A.A., who have both been members of their staff for many years.

Mr. R. L. Lines, A.S.A.A., has been appointed accountant to Hawker-Siddeley Nuclear Power Co. Ltd., Langley, near Slough.

Mr. G. G. Jackson, Incorporated Accountant, Manchester, has admitted to partnership Mr. S. M. Farrell, A.S.A.A., who has been a member of his staff for a number of years. They are practising at the same address under the firm name of Jackson, Farrell & Co.

Messrs. Jacob & Haynes, Incorporated Accountants, London, E.C.2, have taken into partnership Mr. B. A. Haynes, A.S.A.A.

Mr. F. A. S. Bumstead, A.S.A.A., has been appointed chief accountant to Bristol Evening Post Ltd., Bristol.

Mr. H. W. Davidson, F.C.A., practising as H. W. Davidson & Co., London, W.3 and S.W.7, has admitted into partnership Mr. B. C. Bingham, A.C.A., A.S.A.A. The firm name is unchanged.

Messrs. Gura, Summers & Co., London, E.C.4, have opened a branch office at 53 Oxford Road, Manchester, 1.

Messrs. Burgess, Burgess & Co., London, W.C.2, have admitted into partnership Mr. L. W. Hodgson, A.S.A.A.

Messrs. Jewitt, Sparrow & Swinbank, Stockton-on-Tees, have taken into partnership Mr. J. A. Cook, A.S.A.A.

Messrs. Kemp & Birnie, Chartered Accountants, P.O. Box 123, Bay Street, Nassau, Bahamas, announce that they have changed the name of their firm to Kemp, Birnie, Britchford & Co.

Messrs. Bowman, Grimshaw & Co., Chartered Accountants, Blackpool, have admitted as a partner Mr. G. F. Riley, A.C.A., A.S.A.A.

The partnership hitherto subsisting between Mr. E. C. Cooper and Mr. N. K. Allen in the firm of Cooper, Scott & Co., Incorporated Accountants, London, E.C.2, has been dissolved, as Mr. Cooper has expressed a wish to retire. He is, however, remaining as consultant. Mr. Allen is continuing the practice under the same name.

Mr. F. F. Sharles, F.S.A.A., has taken Mr. J. Wise, A.S.A.A., into partnership in the firm of F. F. Sharles & Co., 12 Harley Street, London, W.1.

Mr. G. H. Best, A.S.A.A., has been appointed accountant of Oxford & Cowley Ironworks Ltd.

Messrs. Rawlinson, Allen & White and John D. McClure & Company announce their amalgamation as from May 1, 1957. The Partners in the new firm are Messrs. J. S. White, F.S.A.A., N. G. White, F.C.A., R. E. McClure, M.B.E., F.C.A., W. R. Peattie, A.S.A.A., and H. G. Brown, A.C.A. The practice will be carried on under the style of Rawlinson, Allen & White from 1/7 Ocean Buildings, 2 Donegall Square East, Belfast, with Branches at Armagh, Omagh, Larne, Enniskillen, Bangor, Sligo and Ballymoney.

Messrs. W. H. Roberts & Co., London, W.1, announce that Mr. W. H. Roberts, F.S.A.A., by reason of advancing years, has retired from the firm. The practice is being continued by Mr. L. Gordon Gee, F.S.A.A., F.A.C.C.A., who has been associated with it almost since its foundation by Mr. Roberts thirty-five years ago. He has admitted to partnership Mr. Dennis Southgate, A.A.C.C.A.

Mr. R. E. Seaborne, A.S.A.A., has been appointed accountant to R. Hardy & Son and associated companies, London, W.1.

Mr. Sydney Dent, F.S.A.A., announces that he is continuing in practice as Jones & Dent, Incorporated Accountants, at 67 Wellington Road South, Stockport, where he has practised for the last twenty years.

Messrs. Roberts, Legge, Hubbard & Co., Liverpool, have admitted Mr. B. S. Hackney, A.C.A., as a partner.

In reporting the regretted death of Mr. Eric Phillips (ACCOUNTANCY, June, page 284) we stated that he served his articles with "the late Mr. F. F. Sharles, F.S.A.A." We are pleased to say that Mr. Sharles is alive and is in practice, as is made clear by another announcement in this column. We offer our apologies for the error.

Messrs. Russell, Durie Kerr, Watson & Co., Birmingham and London, have taken into partnership Mr. S. V. Gregory, A.S.A.A.

Removals

Messrs. Rushton Osborne & Co., Chartered Accountants, announce that their office address is now Bank Chambers, 1 John Street, Bedford Row, London, W.C.1.

Mr. A. B. Moody, Incorporated Accountant, has moved his office to Temple Buildings, Bowlalley Lane, Hull.

Obituary

Thomas Mansfield Wadley

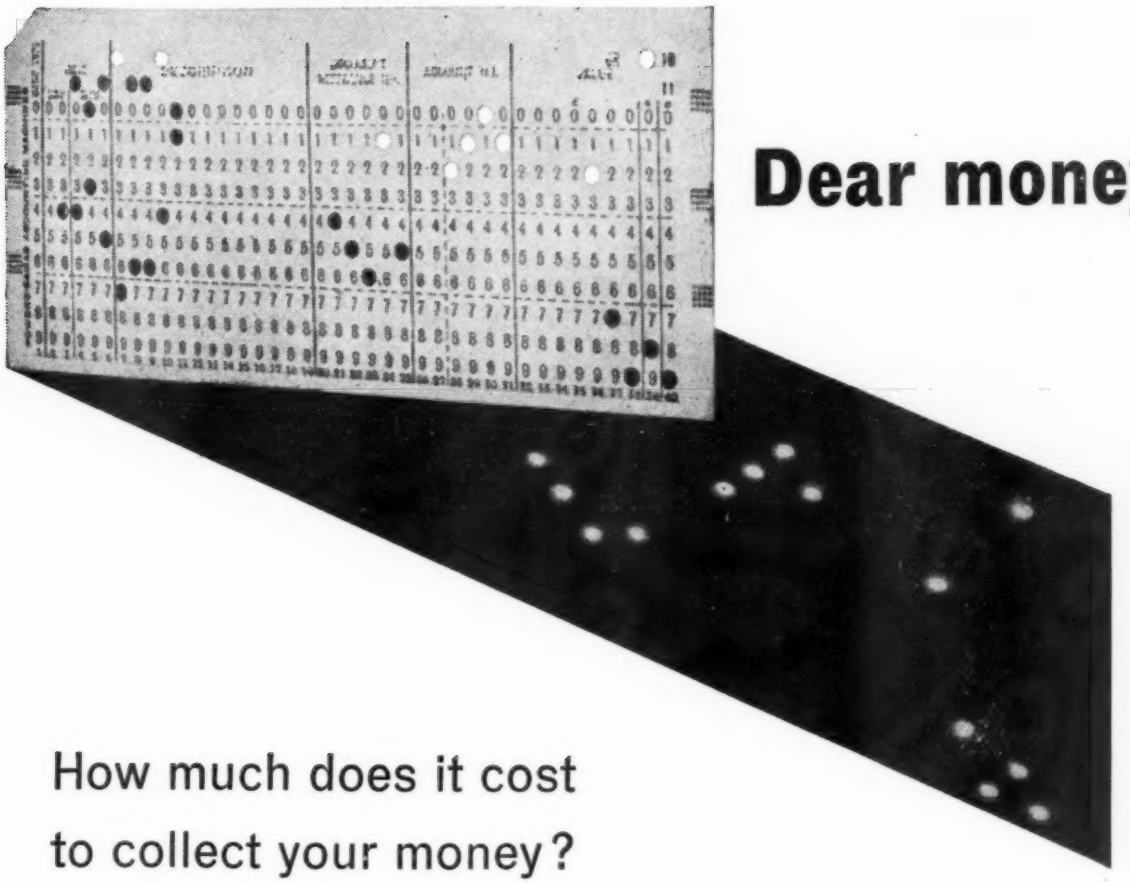
We learn with regret that Mr. T. M. Wadley, F.S.A.A., C.A.(S.A.), died on April 29, at the age of 71. Mr. Wadley was born in London, but went to South Africa before the end of his schooldays. He founded the firm of Wadley, Wood and Bonella, Durban, in 1915, and remained as senior partner until his death.

After becoming the first Honours member of the Institute of Accountants, Natal, in 1909, he was a foundation member of the Natal Society of Accountants in the following year, and in 1920 became also a member of the Society of Incorporated Accountants. He was President of the Natal Society in 1940/41.

Mr. Wadley was active in public life, being elected to the Durban Town Council in 1920 and holding office as Mayor from 1924 to 1926. He served on the Provincial Council from 1927 to 1933, and from 1933 to 1938 represented Durban Point in Parliament. During this term he was a member of the Select Committee on Public Accounts, Insolvency and Company Legislation. He was appointed a member of the Natal Post-War Works and Reconstruction Commission, and subsequently was chairman until 1955 of the Natal Housing Board, Water Supply Advisory Board and Town and Regional Planning Commission—all formed as a result of the report of the Post-War Commission—as well as of the Local Health Commission. For some years Mr. Wadley was the accountant member of the Income Tax Appeal Board.

He was at one time chairman of the Durban Community Chest and the Natal Radium Trust, and was a past President of the Natal Football Association and of Durban Rotary Club.

The funeral service on May 1 was attended by the Mayor and Councillors of Durban and by representatives of the Natal Society of Accountants, of the South African (Eastern) Branch of the Society of Incorporated Accountants, and by representatives of other bodies in which Mr. Wadley was interested.



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Classified Advertisements

Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o ACCOUNTANCY, *Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

THE SOCIETY'S APPOINTMENTS REGISTER Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

OFFICIAL NOTICES

CAMEROONS DEVELOPMENT CORPORATION
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Applications are invited for the above appointment in the Southern Cameroons, British West Africa.

The Corporation, which was incorporated in 1947 under a Nigerian Ordinance, is entrusted with the development of plantations over a wide area of the Southern Cameroons and produces Bananas, Rubber, Palm Oil and Cocoa, and is developing a Tea Estate. In addition the Corporation is responsible for the wharf operations at Tiko and Bota, together with the necessary sea and river going craft, maintains a fleet of some 300 M.T. vehicles, has a plantation network of narrow gauge railway, has established medical and welfare services throughout the plantations, and operates mechanical and electrical workshops and sawmills.

The successful candidate, who should be a Chartered or Incorporated Accountant with considerable experience in commercial accounting, budgetary control and standard costs, etc., will be responsible for the supervision of capital and revenue expenditure budgets, the appraisal of capital expenditure schemes, and for advising on general financial matters. The post carries prospects of promotion to Chief Accountant when the present holder of that office retires.

The appointment will be in a consolidated salary range £1,725 to £1,975 according to age and experience. Free return passages are provided to and from the Cameroons for Officers and their wives, together with free accommodation during residence with heavy furniture, free lighting and heating up to reasonable limits and all necessary transport. An Outfit Allowance of £80 is payable on first appointment. Children's allowances up to a maximum of two are payable at the rate of £75 each. Officers are required to contribute 10 per cent. of their salary to a Provident Fund to which the Corporation pays a further 15 per cent. for the credit of the Officer's account. Tours of about 18 months, with one week's leave for each completed month of resident service.

Applications should be addressed to DCA RUBBER & MINING AGENCIES LTD., 52 Leadenhall Street, London, E.C.3, from whom copies of conditions of service, etc., may be obtained.

APPOINTMENTS VACANT

ACCOUNTANT—NIGERIA. Mining Company in Northern Nigeria require by the end of July a man with good experience of accounts. Salary rate £1,500 per annum, or according to qualifications and experience. Eighteen months' tours; three months' fully paid leave between tours. First-class fares including wife and up to two children. Fully furnished quarters. Excellent prospects for right man. Age limit 35 years. Apply with full particulars to Box No. 352, DORLAND ADVERTISING LTD., 18-20 Regent Street, S.W.1.

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Apply giving full particulars to Personnel Officer, 33 Hill Street, London, W.1, quoting Serial No. 309.

ACCOUNTANTS required by GOVERNMENT of NORTHERN NIGERIA for one tour of 12-24 months in first instance. Commencing salary according to experience in scale (including Inducement Addition) £1,170 rising to £1,824 with gratuity at rate of £150 a year. Clothing Allowance £45. Free passages for office and wife. Assistance towards cost of children's passages and grant up to £288 a year for their maintenance in U.K. Liberal leave on full salary. Candidates must be members of a recognised body of professional accountants and have had appropriate experience with a firm of Accountants, a Public Company or a Local Authority. They should possess organising ability and be able to control staff.

Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote MIB/43424/AD.

APPLICANTS with the necessary experience requiring BETTER positions as Senior, Semi-senior and Junior AUDIT CLERKS should contact us. We have a good selection. Other Professional and Commercial posts available. HOLMES BUREAU, 10 Queen Street, E.C.4. City 1987.

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AUDIT CLERKS. Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

EAST ANGLIAN firm of Chartered Accountants require a Senior and a Semi-Senior Audit Clerk. Scope for wide experience and opportunities for advancement. Office Pension Scheme. Write, stating age, experience and salary required, to Box No. 539, c/o ACCOUNTANCY.

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Financial assistance with passages.
Applicants will be interviewed in London by a partner of the firm in July or August.
Apply stating age, qualifications, experience if any, whether single or married to Box 148, c/o WALTER JUDD LTD., 47 Gresham Street, London, E.C.2.

GHANA. A firm of practising accountants require two young qualified men with good experience for work involving occasional travel. Single men therefore preferred, but married men would be considered and in the event of engagement free passage for wife would be provided. Commencing salary rates £1,300 per annum. Tours approximately eighteen months with generous leave on full salary. Provident Fund. Kit Allowance £60. Car purchase assistance and adequate running allowance. Very low Income Tax. Apply with full particulars to Box No. 374, DORLAND ADVERTISING LTD., 18-20 Regent Street, S.W.1.

INCORPORATED ACCOUNTANTS, CUMBERLAND, require Senior Audit Clerk with sound audit and taxation experience. Commencing salary according to age and experience but not less than £700 per annum. State age, qualification (if any), experience to Box No. 551, c/o ACCOUNTANCY.

LARGE progressive manufacturing organisation with international connections requires the services in London of a qualified accountant. Selected applicant will be appointed initially as an Assistant to the Company Controller, and after a short but adequate training period must be capable of assuming full responsibility for all the Company accounting operations. Applicants, aged 27-32, preferably with some experience of advanced management accounting techniques, including Standard Costing and Budgetary Control, should write giving full details of age, education, qualifications and experience to Box No. 555, c/o ACCOUNTANCY.

NAIROBI—Qualified Accountant, Chartered or Incorporated, required for Nairobi, Kenya, office of leading international firm of Accountants on four year contract. Starting salary in range £1,300-£1,500 p.a. plus annual bonus. Passages both ways and four months' end of contract home leave. Interviews can, if necessary, be arranged with partner presently in U.K. Applications, with full particulars, to Box No. 552, c/o ACCOUNTANCY.

PORT TALBOT. A vacancy will occur in July/August for a recently qualified Chartered or Incorporated Accountant. Candidate for May Final would be considered. Immediate applications invited. Salary according to experience but minimum £625. MULLENS AND ROBINSON, 73 Station Road, Port Talbot.

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